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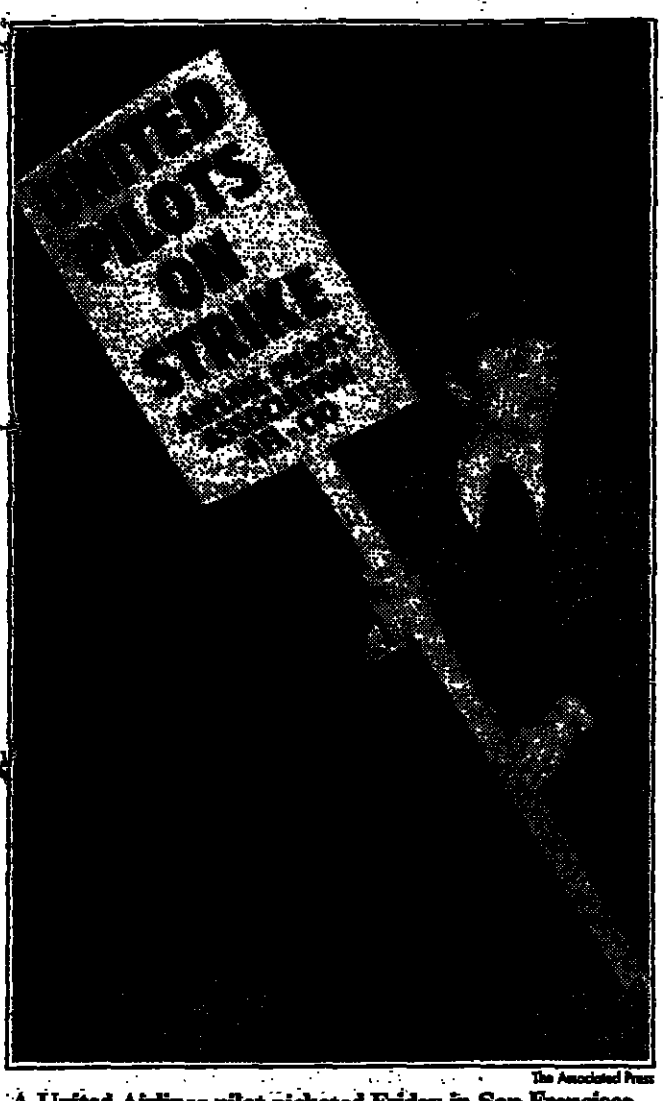
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A United Airlines pilot picketed Friday in San Francisco.

Reagan's Farm Plan Seems to Be Aimed At Exporters in EC

By Seth S. King
New York Times Service
WASHINGTON — The Reagan administration's \$2-billion farm export subsidy plan is likely to be of more benefit as a new weapon against European Community exporters than as a means of immediately improving the American farm economy, according to agricultural export analysts.

These analysts also regarded the plan as a way to help Republican congressional leaders dampen protectionist demands from farm belt members, who are now writing a new farm bill.

Agriculture Secretary John R. Block announced Wednesday that during the next three years his department would give government-owned surpluses of grain and dairy products to U.S. exporters to help them increase sales to certain markets that have been lost to other countries.

The administration and members of Congress charge that other exporters, particularly those from EC nations, have been using unfair trade practices, such as subsidies, to capture markets from U.S. exporters.

Mr. Block emphasized that the gifts of commodities would be given only for sales to "carefully targeted" countries, where there was a chance of underselling other exporting countries that subsidized their sales abroad.

"This lets the rest of the world know that we've sat by long enough," said William G. Lesher, a private agricultural consultant who recently served as the Agriculture Department's chief economist.

Mr. Lesher said that, although \$2 billion in surplus commodities were available for the program, he doubted that very much of this would be used this year, because it would not be easy to move back into lost markets. But in the long run, he said, the program might help improve U.S. exports.

An administration trade official said the plan was designed to help farm belt Republicans in the 1986 elections. For the last year, farmers have been complaining that the administration was not retaliating



HOSTAGE EFFORT — The Reverend Jesse L. Jackson, with Peggy Say, sister of a U.S. hostage held in Lebanon, after he offered to seek the release of several prisoners. In Beirut, a terrorist group reportedly threatened to attack U.S. diplomats. Page 2.

Gorbachev May Defer A Summit

U.S. Aides Say Internal Affairs Preoccupy Him

By David Hoffman
Washington Post Service
WASHINGTON — President Ronald Reagan's senior foreign policy advisers have told him that Mikhail S. Gorbachev, the Soviet leader, remains preoccupied with internal Soviet problems and is not ready to talk about meeting with Mr. Reagan, according to administration officials.

Secretary of State George P. Shultz and the national security adviser, Robert C. McFarlane, reported to Mr. Reagan on Thursday on their six-hour conference Tuesday in Vienna with the Soviet foreign minister, Andrei A. Gromyko. They also discussed Mr. Shultz's Middle East visit.

They concluded from the meeting with Mr. Gromyko that Mr. Gorbachev was "not dealing with any foreign accounts," a senior White House official said.

Officials also said Thursday that a Reagan-Gorbachev meeting would not necessarily come around the opening of the UN General Assembly session in September, or for a celebration of the 40th anniversary of the founding of the United Nations in October.

Previously, senior White House officials had raised the possibility that Mr. Gorbachev would come to the United Nations and meet with the president afterward.

Mr. Reagan said May 10 in Lisbon that it was "probable" that Mr. Gorbachev would come to the United Nations, although Mr. Reagan said there had been no confirmation from Moscow.

Mr. Reagan said that he had extended an invitation indicating that "if he was going to be here, the door was open for a meeting between us."

In an interview this week, a senior White House official said of a Gorbachev visit: "I don't think it has to be within a UN type of thing. He could come over to visit the UN and come back again" to see Mr. Reagan.

The White House spokesman, Larry Speakes, repeated Thursday that Mr. Reagan's invitation was for Mr. Gorbachev to come to Washington, not to the United Nations.

"Any location other than the one in the invitation originally extended has not been addressed by this administration," Mr. Speakes said. He said that the Russians "haven't taken us up" on the invitation.

Other officials have said that Soviet officials did not raise the issue of a visit in the Vienna session with Mr. Shultz and Mr. McFarlane.

Before the Vienna meeting, some West European diplomats said they believed that Soviet officials were sidestepping the question of a meeting, because they sensed that Mr. Reagan wanted it more than they did.

But White House officials said (Continued on Page 2, Col. 7)

Thousands Are Stranded In U.S. as Pilots Strike

Compiled by Our Staff From Dispatches
CHICAGO — More than 5,000 pilots struck United Airlines in a salary dispute Friday, stranding thousands of passengers in the United States, forcing the nation's largest carrier to halt service at 89 airports and creating turmoil in the air travel industry.

United said it would combat its first pilots' strike since 1951 by flying with nonunion workers and those who defy pickets. The flight attendants' union said it would honor picket lines, which began appearing at airports early Friday.

Few flights were scheduled Friday and even fewer took off. According to the union, which said it was monitoring flights from every airport, only 19 flights had taken off by 11 A.M.

United officials said that the only international flights operating would be to Tokyo and Canada, and they were not sure on what kind of schedule. Flights to the Caribbean and to Hong Kong were canceled.

A United official said that the airline would focus service on 50 "major" hub airports in Chicago and Denver, while suspending service at 89.

Confusion and stranded passengers were reported at many airports served by the Chicago-based airline, which carries 120,000 passengers per day on more than 1,550 scheduled flights.

Other airlines said they were working with United to meet the expected increased demand.

Federally mediated talks between the company and the Air Line Pilots Association, which represents 5,300 United pilots, stalled over United's proposal to start new pilots at lower salaries and slow their raises. The union contends the two-tiered system would create animosity among pilots and jeopardize safety. United says it cannot otherwise remain competitive.

United wanted to start new pilots at \$21,600 a year, instead of the current \$22,452, and to slow their raises. Captains with 20 years' flying experience make up to \$152,000 a year and the airline has said the new system would enable it to compete with airlines who pay their top-scale pilots \$75,000 a year.

After five straight days of bargaining in Boston, talks broke off early Friday with no new talks scheduled. The pilots had worked without a contract since April 1984.

United, the world's second largest airline, after the Soviet carrier Aeroflot, goes to 139 destinations in all 50 American states, Canada, Mexico, Japan, Hong Kong, Bermuda and the Bahamas.

(AP, UPI, IHT)

U.S., India Sign Final Agreement On High-Technology Equipment

By Steven R. Weisman
New York Times Service
NEW DELHI — After months of difficult negotiations, India and the United States signed a final agreement on Friday permitting the use of sophisticated American technology for Indian business and military ventures.

Malcolm Baldrige, the U.S. secretary of commerce, said the accord would clear the way for a sharp increase in trade and joint Indian-U.S. business cooperation.

"The main thrust for India is to develop its own high-tech industry," Mr. Baldrige said, emphasizing that this process would now be assisted by American businesses.

The accord was regarded by many experts as signifying a breakthrough in Indian-U.S. relations, which have been marked by contentiousness and bad feelings for years.

A warning in the relationship between the two countries began in 1982, when President Ronald Reagan met with Prime Minister Indira Gandhi in Washington. Last year, representatives of the two countries signed a memorandum of understanding.

Mr. Baldrige said, emphasizing that this process would now be assisted by American businesses.

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(Continued on Page 2, Col. 6)

Terrorists May Threaten Paris Air Show, U.S. Says

By Richard Halloran
New York Times Service
WASHINGTON — The U.S. Embassy in Paris has warned the Commerce Department and American companies planning exhibits at the Paris Air Show late this month to expect terrorist attacks.

The embassy, in a message last month to the Commerce Department, said, "The threat level at the air show is rated as high." The message said the severity of the threat was partly a result of the ease with which assailants "may gain entry and accomplish their mission."

In a message intended to be passed along to 90 exhibitors from the United States, mainly companies in the military and aerospace industries, the embassy included a long list of suggested security precautions.

The message also said that four prominent companies in the U.S. military industry, Boeing Co., Hughes Aircraft Co., Lockheed Corp. and Northrop Corp., recently were found to have been on a target list assembled by the Red Army Faction, the West German extremist group. The list surfaced during a police raid, the embassy's message said.

A copy of the message was obtained by the Armed Forces Journal, a monthly magazine circulating in the military industry. An article on the threat in Paris will appear in its June issue, an advance copy of which was made available.

The Paris Air Show, which is held every other year, is the biggest exhibition of its kind and a centerpiece for makers of aircraft, aviation equipment, communications apparatus and aerial weapons to display their wares.

The show covers a vast area at the Le Bourget airport just outside Paris and is scheduled to run from May 30 to June 9. More than 700,000 people, including prominent government officials and business executives, are expected to attend the show.

There are to be about 1,000 exhibitors from 32 countries in addition to the United States. French police are responsible for the security of the perimeter of the show but each exhibitor is responsible for security within its exhibit area.

The Red Army Faction, Direct Action, a group believed to be based in France, Fighting Communist Cells, a Belgian group, and the Portuguese FP-25, or Popular Forces of April 25, have been "outspokenly opposed" to what they called "Western imperialism," the

Ulster Vote Builds Power Of Sinn Fein

Compiled by Our Staff From Dispatches
BELFAST — Sinn Fein, the political wing of the outlawed Irish Republican Army, has won more than 30 of 566 seats on town councils in Northern Ireland, giving it a new political role in two-thirds of the province's local councils.

Nearly complete election results announced Friday showed that hard-line parties on both sides of the sectarian divide scored gains in the province's 26 council chambers.

The results showed that Sinn Fein had won almost 10 percent of the vote, making it a force in local government for the first time and raising the possibility of serious clashes with the dominant pro-British loyalist parties.

And for the first time, Sinn Fein candidates plan to take the council seats to which they were elected. Previously, they have run for office, then boycotted the councils after election.

Desany Morrison, Sinn Fein's second-in-command, said that the result of Wednesday's voting was a popular mandate for the organization.

Another party official, Martin McGuinness, said that only "the cutting edge of the IRA," not election victories, could achieve the party's goals of ending British rule in the province and uniting Ireland.

British analysts said that Sinn Fein could play a spoiler's role in the town councils. The Guardian newspaper said that Sinn Fein now had "the opportunity to pursue its aim of destabilizing the government and administration of Northern Ireland."

The Protestant lead in seats over the Roman Catholics paralleled their 2-1 majority in the population of Northern Ireland.

As expected, the Official Unionist Party, the mainstream majority Protestant grouping, was emerging with the greatest share of votes.

Television computer projections in the province gave Sinn Fein a total of 35 seats.

(AP, Reuters)



Belgian Guard Faints While Awaiting Pope
A member of the Royal Military Academy fainted in Brussels while awaiting Pope John Paul II's arrival from Luxembourg. The pope began a six-day tour of Belgium Thursday, and on Friday he visited Antwerp, where he heard criticism of church teaching on divorce, priestly celibacy and the role of women in the church. He also went to Ypres, the site of a major World War I battle.

Discount, Prime Rates Are Cut in the U.S.

WASHINGTON — The Federal Reserve Board lowered its lending rate to banks Friday by half a point to 7.5 percent.

Meanwhile, Citicorp, the biggest U.S. commercial bank, lowered its prime lending rate half a point to 10 percent.

Details, Page 7.

Mystery Vault Found in Capone's Prohibition Den

By Larry Green
Los Angeles Times Service
CHICAGO — Workers have discovered a concrete vault believed to have been built by Al Capone, the Prohibition-era gangster, in an abandoned 10-story building that once was Capone's Chicago headquarters.

They have also uncovered hidden stairways in the building, including one leading to a spot in the basement near the vault.

"I feel like I'm on an archaeological dig," said Patricia J. Porter, executive director of the Sunbow Foundation, which now owns the building.

Speculation about what — if anything — the vault holds ranges from booze to bodies.

The structure, of crudely poured concrete, is six feet wide, six feet high and about 125 feet long (two meters by two meters by 38 meters). It is under the sidewalk in front of the old Lexington Hotel, on Michigan Avenue south of the Loop business district. The hotel was a 400-room brothel in the Capone era.

It also has been suggested that the vault could hold gold or even an automobile.

One well-known treasure hunter, the Internal Revenue Service, has already laid claim to whatever is inside. The IRS has placed an \$800,000 lien on its contents to satisfy a payment of \$201,347.68, plus interest, still owed by Capone's estate since his death in 1947.

"They sent me this letter and then sent these two agents over. They must think there's money in there," Ms. Porter said.

She said that some construction experts who have examined the structure think it is solid, but others disagree.

"We can find no structural reasons for this thing being there," she said.

Before anyone tries to break into the vault, she said, X-rays will be used to try to determine what, if anything, is inside and pinpoint where it is.

"I was thinking bodies more than anything else at first," she said. "But what I'm hearing from cops and relatives of cops that used to hang around here, there could potentially be money or gold."

"The cops tell us that Capone in the '30s brought in immigrants to dig tunnels to try to link the hotel

Al Capone

up with the city's underground system of railroad tunnels," she added, "and that he did link up, and then sent them back to Italy."

Railroad tunnels formed an elaborate network under Chicago's central business district and were once used to move coal to furnaces of downtown offices and stores. Later, steam pipes were laid through them. Now they are being converted to house networks of fiber-optic cables.

Ms. Porter said she believes that the tunnels also were used to transport bootleg liquor during Prohibition in the late 1920s and early 1930s, and as escape routes. They also could have provided Capone with underground routes to city hall and other key city offices.

"Old-timers claim Capone could empty out the hotel in 15 minutes without anybody ever going into the streets," she said. Histories of Capone and yellow newspaper files report a number of hidden exits.

Ms. Porter said sewer workers told her that in the past they had found gold coins and a diamond-and-sapphire stickpin in a sewer under the building.

The hotel, built in 1891, housed visitors to the 1893 World's Fair. Capone took over the turreted building with its distinctive banks of bay windows in 1928.

One entire floor was reserved for him, and his mistress lived in the quarters directly above.

The Sunbow Foundation plans to rehabilitate the hotel, training low-income women to be the construction workers.



BAD ART — It may be art, but is it awful? That's the question for a pair of Canadian collectors.

■ Ghanians are divided in their feeling about the returnees expelled by Nigeria. Page 2.

■ A U.S. House committee approves a budget that conflicts sharply with the plan passed by the Senate. Page 3.

■ Malaysia's leader, Mahathir Mohamad, is proving to be a forceful spokesman for the "new" Third World. Page 5.

BUSINESS/FINANCE

■ LTV Corp. will take a \$400-million write-off to reshape its steel unit. Page 7.

■ U.S. savings institutions may cease to exist in a few years, some officials said. Page 7.

MONDAY

A special report examines the economic outlook in France.

Returnees Divide Ghanaians

Disdain for Compatriots Is Mixed With Anger at Nigeria

By Sheila Rule
New York Times Service

ACCRA, Ghana — Thousands of Ghanaians expelled from Nigeria are coming home to a country that is of two minds about their return. They face an economic landscape offering only the most fragile hope that they may not have to leave again in search of the good life.

On the one hand, many Ghanaians who stayed resent the 300,000 or so compatriots who took their quest for riches elsewhere, as their country struggled toward economic recovery. But their disdain for those returning has been somewhat tempered by what they consider the inhumane treatment that the illegal workers have received at the hands of the Nigerian government.

At the same time, the manner in which Nigeria forced the journey home is being viewed by Western experts and local officials here as another example of how nationalism and rivalries can overpower concepts of African unity and attempts at regional cooperation.

In 1983, when Nigeria, amid an economic crisis, forced up to two million illegal workers to leave the country, the Ghanaian government eased the way for its returning countrymen by waiving customs regulations, paying expenses and sending their compatriots home to welcoming villages.

But this time, in what some said is a show of displeasure with those lured back to Nigeria, Ghana has made those returning pay duties on the items they bring in.

The move appears to reflect the sentiment of the common man in Ghana, a West African nation of more than 12 million people that has long held the reputation of being one of the continent's most hospitable countries.

Outside makeshift reception centers in this capital and at the sandy Atlantic border town of Abrafo, Ghanaians watching their poor and disheveled compatriots returning in overcrowded vehicles have spoken with anger and bitterness about their departure for Nigeria months and years earlier. Then, the observers said, Ghana needed manpower to dig itself out of an economic morass.

Those returning have been called, among other things, "lazy," "good for nothing," and "traitors." "They get no sympathy from me," said a Ghanaian businessman in Accra. "They were warned not to go again. But they went. And I do not want my tax dollars to help them out of their fix this time."

But reports of chaos and violence on the part of the Nigerian authorities, including the killing of several Ghanaians trying to cross the border with Benin, have resulted in protests and strongly worded editorials here.

On Monday, under the watchful eye of dozens of local policemen, university students demonstrated outside the Nigerian High Commission, carrying placards that characterized Nigeria as a disgrace to the spirit of African unity and comparing its government to that of South Africa in its treatment of blacks.

Western and local analysts said the recent developments appear to be a confirmation of the political facts of life in Africa and developing countries elsewhere, where good neighborliness can come second to competition and real or imagined threats to a nation's primary interests.

Some said that the Economic Community of West African States, whose members include Nigeria, Togo and Ghana, has been further eroded politically as a result of the recent expulsions, as it was in the forced exodus of 1983.

Competition between Ghana and Nigeria is nothing new. Ghana, which in 1957 became black Africa's first independent state, once enjoyed one of the highest per-capita incomes on the continent and provided employment for many Nigerians and other Africans.

But in 1969, with Ghana in the throes of economic problems, the immigrants were expelled by Prime Minister Kofi A. Busia in a move that ran counter to the pan-African ideals of Kwame Nkrumah, Ghana's first leader and the acknowledged father of African nationalism.

Nigeria expelled workers in 1983 and again last week, when 700,000 were told to obtain residence permits or leave. Of these, up to 300,000 were from Ghana, and an additional 100,000 were from Niger. Most of the rest were from Chad and Cameroon.



Nigerian police face demonstrating Ghanaian immigrants on a road near the Lagos airport.

WORLD BRIEFS

Greece Bars U.K. Ship From Refueling

ATHENS (NYT) — Greece has barred a British ship taking part in NATO exercises from refueling in Greece, a move described by NATO sources here as "unprecedented." The ship was compelled to sail to Izmir, Turkey, to obtain fuel.

A Greek Foreign Ministry official said Thursday that the incident took place last weekend. He said that Greece did not take part in the exercises in line with its policy not to participate in NATO maneuvers until this Western nations stop what Athens sees as a policy of favoritism toward Turkey over the conflicting territorial claims of the two countries in the Aegean Sea.

But NATO sources said that the alliance had informed the Greek Navy a long time ago of its exercises and that it had gained approval for the refueling visit. They said the Green Rover, a British merchant vessel with a civilian crew, was turned away at the Suda Bay base on Crete, which is jointly operated by Greek and U.S. forces. The ship was taking part in exercises in the Mediterranean. Its mission was to pick up fuel to supply the other ships.

Tehran Traffic Jam Is Seen as Protest

TEHRAN (Reuters) — Traffic was snarled in the capital Friday after former Prime Minister Shapur Bakhtiar issued a clandestine radio call for anti-government protests.

There were no slogans or posters, but many drivers honked their horns, drove very slowly and carried bouquets of flowers in their cars. Some residents said that there appeared to be little doubt that many people were responding to the call by Mr. Bakhtiar, who lives in Paris. A similar protest was staged in February 1983.

Those in the traffic bottleneck appeared to be from Tehran's middle class. Ayatollah Ruhollah Khomeini and the Iranian government have their strongest support among the poorer people from the southern suburbs.

Sudanese Islamic Courts Abolished

CAIRO (AP) — Sudan's ruling military council on Friday formally abolished special criminal courts set up under former President Gaafar Nimeiri to apply Islamic punishments, the Middle East News Agency said.

In a dispatch from Khartoum, the news agency said that the council also was reviving the previous system of criminal courts, which passed verdicts based on a criminal code drawn largely from European legal systems.

Soon after Major General Nimeiri introduced Sharia, or Islamic law, in Sudan in September 1983, he set up a series of courts to apply the punishments that Sharia prescribes. In two years, the courts sentenced scores of drinkers to be flogged and ordered hands amputated from more than 300 thieves. Under pressure from international opinion, General Nimeiri froze the tribunals' activities early this year but never formally abolished them. General Nimeiri was deposed in a coup on April 6.

North, South Korea Fail in Talks

PANMUNJOM, North Korea (Reuters) — North and South Korea failed to narrow their differences when they resumed trade talks at the border village of Panmunjom on Friday after a six-month break.

No substantial progress was made in two hours of discussions by seven-member teams from each country, dimming prospects that they might begin economic cooperation. They agreed to meet again only on June 20.

The chief South Korean delegate, Kim Ki Hwan, said that North Korea's attitude had been "completely different and contradictory" from that at the first session. "I do not understand the sudden change," he added. The first session in November raised hopes that the two Koreas might put aside their differences and work together in some areas.

Walesa Keeps Tape in Alleged Plot

WARSAW (Reuters) — Lech Walesa, the leader of Poland's outlawed Solidarity labor union, refused Friday to give police tape recordings of a talk he had with a convicted murderer who alleged there was plot to kill him.

Mr. Walesa and two aides were questioned by the Gdansk police, who have charged the man, Jozef Szczepanski, with being in contact with an illegal organization. Mr. Szczepanski, 34, who was on parole from prison, met Mr. Walesa on May 9 and said that he had been approached by an unidentified man who offered him money and a passport to kill the labor leader.

The police interviewed him for 90 minutes. Mr. Walesa said, adding that he declined to turn over either the cassette tapes or the original of a handwritten statement in which Mr. Szczepanski outlined the alleged plot. He had given the authorities copies of the statement just after Mr. Szczepanski was arrested May 11.

For the Record

At least 36 Japanese miners were killed Friday and 29 trapped underground when a gas explosion ripped through a coal mine in Yubari on the island of Hokkaido. (AP)

Two crewmen of a Chinese torpedo boat who reportedly staged a mutiny that left six persons dead off South Korea in March have been executed in China, Taiwan's Central News Agency reported Friday. (AP)

Both the Japanese and Soviet governments kept silent Friday about a report of a Soviet plane disappearing from Japanese military radar on Thursday. (AP)

A Sri Lankan soldier entrusted with protecting 40 Tamil civilians opened fire on them, killing six and wounding 16 before his commanding officer shot and killed him, a Defense Ministry source said Friday in Colombo. (UPI)

British health officials said that tests had ruled out an air-conditioning unit at the Stafford District General Hospital as the primary cause of an outbreak of Legionnaires' disease. On Friday, the death toll dropped to 36 from 37 after tests showed one victim did not have the bacteria. (AP)

New U.S. Concern on Summit

(Continued from Page 1) their view was that Mr. Gorbachev was not ready to deal with major foreign policy matters. A senior official said, "They have not been able to come to a decision to accept the president's invitation." He added that the Vienna meeting had left a "flavor of their interest being more domestic-oriented for the time being, which is unfortunate for us. We're ready to engage on foreign policy."

Mr. Shultz and Mr. McFarlane indicated to Mr. Reagan their assessment that Mr. Gorbachev's focus on internal Soviet matters, such as the next five-year plan and his effort to consolidate his power, have also led to the current stand-off at the nuclear arms reduction talks in Geneva.

The arms negotiations, now in recess after little apparent progress in six weeks of talks, are to resume May 30. "It's not just Vienna, but also what's happened in Geneva that suggests that they really are not ready to take the initiative," the senior official said. "They have not put progress on arms control and the U.S.-Soviet relationship at the top of their list of priorities."

"Our only logical response is one of patience," the official said. The official also said the Russians were "not ready for significant changes" in offensive nuclear missiles, the area of weapons reduction that the United States has emphasized in Geneva.

The Russians have pushed instead for restraint on space weapons and on Mr. Reagan's plan to research the use of space-based systems to destroy enemy nuclear missiles, known as the Strategic Defense Initiative.

This official said, however, that the Russians wanted to "give a public perception of being engaged" with the United States on foreign policy.

He said this explained the six-hour session in Vienna, which U.S. officials have said was devoted entirely to restatements of previous positions.

Farm Plan Seems Aimed at EC

(Continued from Page 1) three years has frequently tried to persuade the Common Market to halt its underselling of the United States in foreign markets.

Recently, Mr. Block, in hearings before congressional agriculture committees, has threatened to take "strong action" if an agreement could not be reached soon. Two years ago, in what he called "a shot across the bow," Mr. Block sold surplus wheat and flour to Egypt at reduced prices, taking away one of France's major cash crops. But last year the French reexported some of this market.

Mr. Block said the details of the program would be ready by June 1. In general, under the plan, a U.S. exporter trying to expand sales to a

Islamic Jihad Is Said to Threaten U.S. Diplomats

The Associated Press

BEIRUT — An anonymous telephone caller claiming to represent the shadowy Islamic Jihad group warned Friday that the extremists, who have been linked to Iran, plan a major attack against U.S. diplomats.

The warning, telephoned to a French news agency in Beirut, came the day after President Ronald Reagan's administration declared that it would not negotiate with the fundamentalist Shiite Moslem group for the release of Americans kidnapped in Lebanon.

"The American government should await the latest military operation it has ever known," the anonymous caller said. "The organization has been preparing for this surprise for a long time. The refusal of our demands will mean hell for its diplomats across the world."

There was no means of confirming the authenticity of the message. In statements published Thursday in Beirut newspapers, Islamic Jihad issued what was called a "fi-

nal warning" of "catastrophic consequences" for at least four Americans and two Frenchmen held hostage in Washington and Paris do not pressure Kuwait to free 17 persons. The 17 have been convicted of carrying out bombing attacks on the U.S. and French embassies in Kuwait in 1983.

U.S. Refuses Demands

Earlier, David B. Outaway of The Washington Post reported from Washington:

The United States has said that it will not be intimidated by threats from Islamic Jihad. The fundamentalist group said it would "terrorize America and France forever" if its demands were not met, prompting White House officials to issue a declaration Thursday that such threats would not be allowed to "compromise our fundamental policies and values."

The White House also rebuffed charges of inaction from the families of the kidnapped Americans, saying that the United States was

determined to obtain their release and that the issue remained "of the highest priority."

"We believe that we are presently following the best-designed course to obtain this result in a quiet, nonpublic manner," according to the White House.

At a press conference, Peggy Say, sister of Terry Anderson, the kidnapped Associated Press bureau chief in Beirut, said she felt that the situation had come to "the crisis point."

The statement issued by Islamic Jihad was addressed to the families of the hostages, to the Reverend Jesse L. Jackson, who obtained the release of a captured U.S. naval officer in Syria last year, and to "the international public, namely the American people."

Pictures that accompanied the message and were published in Beirut newspapers included four of the five Americans — Mr. Anderson; William Buckley, a political officer at the U.S. Embassy in Beirut; the Reverend Lawrence Martin Jenco,

head of Catholic Relief Services in Lebanon, and the Reverend Benjamin Weir, a Presbyterian minister. The group also claims to be holding two French diplomats, Marcel Fontaine and Marcel Carton.

The White House spokesman, Larry Speakes, said that the U.S. government had no intention of entering into negotiations with Islamic Jihad.

Relatives of three hostages met Thursday with Mr. Jackson to discuss new approaches to seeking their release. At a joint press conference, the civil rights activist said he was prepared to go to Lebanon, or Kuwait, to try to gain the hostages' release "if there is any reasonable chance to have an impact."

[Robert B. Oakley, head of the State Department Office for Counterterrorism, said that the Reagan administration stands "willing and happy to support any reasonable effort" by Mr. Jackson to win the release of Americans. The Associated Press reported from Washington on Thursday night.]

Bonn's Farm-Price Veto Embroils EC in Dispute

Reuters

BRUSSELS — The European Community became embroiled in a new political dispute Friday following West Germany's refusal Thursday to accept cuts in cereal prices, diplomats said.

The diplomats said the new dispute, over Bonn's use of a veto threat, had nudged elaborate plans to reform the 10-nation group's Common Agricultural Policy and head off growing criticism from Washington over export subsidies.

In addition, the controversy arises just as Washington has announced a plan to subsidize American agricultural exports, in part to challenge the EC subsidy system. The new dispute will make it difficult for EC members to draw together in defense, according to the diplomats at the community's Brussels headquarters.

The controversy arose after Bonn, threatening a veto, forced EC farm ministers to put aside a key decision by the European Commission, the EC's executive body, to cut cereal prices. The price cuts were in line with rules for curbing overproduction that had been agreed on two years ago, after months of painstakingly slow negotiation.

The action means that the minis-

ters will have to try again to reach agreement on cereal prices June 11.

The agreement on a package without cereals is expected by EC officials to cost an extra 270 million European Currency Units (\$202 million).

This makes it virtually certain that the community will exceed its farm budget of just under 20 billion ECUs, creating conditions for yet another dispute just in time for next month's EC summit in Milan, the diplomats noted.

The ministers did agree on new prices for other products during their negotiations, which should have been completed by April 1.

At the center of the controversy is the use of the veto power — known as the "Luxembourg Compromise" — for the first time by the West German agricultural minister, Ignatz Kiechle. Bonn, paradoxically, says it wants to abolish that veto and move toward majority rule.

Mr. Kiechle, who on Friday described his move as a "partial veto," shelved plans to cut prices to cereal farmers by 1.8 percent. The EC Commission originally proposed cuts of 3.6 percent.

West German officials said that Mr. Kiechle had only invoked a formula that obliges ministers to



Ignatz Kiechle

continue debate when a member state says its vital national interest is concerned.

The first casualty of the EC's decision could be its trading relationship with the United States, the diplomats noted. Washington accuses the 10-nation bloc of using the subsidies to boost exports.

Another victim of Bonn's stand is likely to be further tension in French-West German ties, already strained over disagreements at the Bonn economic summit two weeks ago.

France has been eager to bring farm prices more into line with high world market prices and counter U.S. demands to include farm exports in a new round of trade talks.

Weight, Engine Standards Are Set for European Fighter

By Axel Krause

International Herald Tribune

PARIS — Defense ministers of five West European countries agreed Friday on the weight and engine requirements for a new European combat plane to be built in the 1990s.

The agreement ended one of several disputes between French and British aerospace companies.

Other important disputes remained unresolved, however, including the sharing of responsibility for design, financing and production, according to French and British military officials.

Ministers from West Germany, Italy and Spain also attended Friday's meeting.

The European Fighter Aircraft project would be the largest such European venture since the Tornado fighter-bomber program was established by Britain, West Germany and Italy in 1969.

The project would involve building a minimum of 1,000 planes, which could generate about \$30 bil-

lion in orders. The first deliveries are planned for 1995.

The ministers set the weight of the new fighter, about 10,450 short tons (9.5 metric tons) with a permissible excess weight of 550 pounds (250 kilograms) for armaments and electronic equipment.

Britain had argued for a slightly heavier plane, weighing 10,730 short tons without additional equipment.

The projected thrust of the new engine also was set, but was not disclosed. The five governments agreed that a newly designed engine would be required for the production versions of the plane.

Defense Minister Charles Hernu of France suggested to other ministers that the design office for the fuselage, wings and engine be located in the Paris region, a French official said. British Aerospace PLC, which like Dassault-Breguet is state-controlled, has insisted on equal sharing of the work in the project.

"Mr. Hernu's suggestion was raised, but not resolved," a British Defense Ministry official said.

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Herald Tribune

Published With The New York Times and The Washington Post

Farmers in Need of Help

The secretary of agriculture reports that the Reagan administration will give American exporters \$2 billion worth of government-owned surplus commodities to crack markets "stolen" from them by subsidized exports of other nations. The secretary, John R. Block, grants that it is "not good policy" to interfere with free trade. We see here a touching example of the solicitude the government can muster for a constituency in distress.

Unfortunately, this is not the worst way in which the system is operating these days. Currently, in Rome, the United States is doing somewhat less than it might to work out an international formula to keep alive an agency that does uncommonly good work to help poor farmers in poor countries grow more food. That the fate of an agency that helps the one group of farmers should be hung up in a dispute over a few million dollars, while another group of farmers gets a new \$2-billion subsidy with the stroke of someone's pen, is simply insupportable.

The International Fund for Agricultural Development, a small and (still) lean United Nations agency, was set up in 1977. Its special mandate was to serve the credit, production and marketing needs of small farmers. It brought the then-prosperous oil producers of the Organization of Petroleum Exporting Countries into a unique partnership of donors with the industrialized nations of the Organ-

ization for Economic Cooperation and Development. The UN agency is a winner. The international aid crowd admires it. The U.S. Agency for International Development praises it. So does the conservative Heritage Foundation. It provides a good return on investment, while helping poor farmers and the rural poor. It is attentive to policy reform — improving producer prices. It focuses on the private sector. At a moment of famine in Africa, where this agency does much of its work, its stress on local production is what dignity and economic effectiveness require.

The dispute over its refinancing centers on how the burden should be shared between OPEC and OECD donors. It is a frustrating dispute. The OPEC parties are being difficult. They are poorer than they were when the project began, and they are not working well together. The United States is in a hard-bargaining mood. It should be. But it should not be so much so that it loses sight of the point of the exercise: to keep the agency, which is already living from hand to mouth, not only alive but healthy and growing.

Within the U.S. government, the matter seems caught in the bureaucracy. But if this agency goes down, the United States will be blamed, disproportionately and somewhat unfairly, for the collapse. If it survives, it will be because of American leadership.

— THE WASHINGTON POST.

Testing the Tax Proposals

There is a great spate of news about President Reagan's tax reform plan these days, except it is not news at all. It is trial balloons and speculation. What is happening, and can it be taken seriously? The bewildered reader can try applying four tests to the reports.

Test One: Does this plan represent genuine reform? The sensible comparison is with current law, not with the plan the Treasury proposed six months ago. It had failings, like removing the deductibility of state and local taxes. But the original Treasury plan adhered to the worthy principle of taxing all forms of income evenly; it let the chips fall freely.

That has been a practical weakness, and Treasury Secretary James Baker has toned down features that were political poison. He has, reportedly, reinstated some tax breaks on oil and gas drilling, capital gains and fringe benefits. He apparently has eased up on depreciation allowances. He is said to have revised deductions for contributions and second-home mortgages. But what matters is that most of the reported segments of the president's plan would eliminate loopholes in present law.

Test Two: Does the plan truly simplify taxes? The president's first objective, as set forth in his State of the Union address last January, is simplification. His plan surely would produce some of that, if only because it cuts the number of personal tax brackets, and allows

fewer deductions. But some of the reported new proposals are infinitely more complicated than present law.

The emerging plan will probably be somewhat simpler for many taxpayers, but it will not bring a new dawn of "simple" taxation. Test Three: Is the plan fair? The most important test is tax equity. Under current law, the tax burden is unfairly distributed, with special advantages for various types of personal and business income, savings, investment and expenditures. The forthcoming Reagan plan may improve on all this. But it may widen some preferences, too. The president's proposals for taxing capital gains and fringe benefits will bear scrutiny.

Test Four: Will it promote efficiency? Lower tax rates and fewer loopholes would breed economic efficiency and faster growth. But that is also true of the innovative tax simplification proposed two years ago by Senator Bill Bradley and Representative Richard Gephardt, both Democrats, and of a later Republican plan by Representative Jack Kemp and Senator Robert Kasten.

The president deserves credit for a historic undertaking. It remains to be seen whether he is for truly substantial reforms that are worth all the effort, or just another omnibus tax bill wrapped in populist slogans.

— THE NEW YORK TIMES.

Other Opinion

Again, Labor Unrest in Poland

The Jaruzelski regime refuses to acknowledge that workers in Poland are becoming steadily more radical, and it takes refuge behind a thick screen of deceptive propaganda. But in view of the country's ongoing economic difficulties and social inequalities, the conflict of interest between the workers and those in power is becoming steadily more marked.

The growing tension that this generates is indicated by an increasing number of strikes, mostly in enterprises with a high proportion of poorly paid female employees. These strikes are not called by Solidarity or the official trade unions but break out spontaneously as a protest against shocking working conditions and inadequate wages.

— Neue Zürcher Zeitung (Zurich).

Doing Business With Apartheid

The case against sanctions is strong. They got a bad name in the 1930s when they were ineffectually employed against Italy over its intervention in Ethiopia, and evoked renewed rivalry when used against Rhodesia (guarding the door of a building with no walls). Sanctions, it is said, do not work. The incentive to make large profits from evading them is at least as strong as the motive of those enforcing them. They are a blunt instrument that can damage the good guys as much as the bad (consider the sufferings of Zambia and Mozambique over Rhodesia).

But there is no denying that some selective sanctions work. The sports boycott of South Africa has produced visible change. The UN arms embargo may have made the South Africans self-sufficient in all manner of weaponry,

but has starved them of aircraft, helicopters, warships and other major items. The partial oil embargo may have been evaded by all sorts of ruses and countered by stockpiling, but it has cost a lot of money and distorted the economy.

It is just as well to set the overblown and then to say they are pointless because this cannot be done. Apartheid cannot be demolished without decisive internal pressure, to which all external effort can only be secondary. The real issue is not whether sanctions work, but whether we are right, or even acting in our own best interest, in doing business with apartheid. International action put an end to slavery, surely a harder nut to crack, and there is no denying that it can help to eliminate its South African offspring. As with slavery, the first question is not what others may or may not do, but what we are going to do against apartheid.

— The Guardian (London).

The Deficit Becomes Real

One of the most heartening events of recent weeks has been Ronald Reagan's discovery of the enormity of the deficit. Until his April 24 speech, you would have thought, listening to the president, that the \$200-billion deficit was a bogeyman dreamed up by the Democrats to scare little children and witless fools. All of a sudden, it is a threat to democracy.

That is real progress. The president's switch about has made possible the newest budget compromise reached between the White House and the Senate Republicans. It apparently signals the end of the lumbering military buildup. And it includes a necessary slowing of the growth in Social Security benefits.

— The Detroit Free Press.

FROM OUR MAY 18 PAGES, 75 AND 50 YEARS AGO

1910: Thousands Mourn Edward VII
LONDON — Past thousands of grieving people, the body of Edward VII was borne in solemn state yesterday (May 17) from Buckingham Palace to the Hall of Rufus at Westminster, the ancient hall of his royal ancestors, where for the next two days he will receive the homage of his loyal, loving subjects before being finally carried to his last resting place beneath the Chapel of St. George at Windsor (on May 20). It was a thrilling, impressive scene, such as London has perhaps never seen before. Not the least wonderful of all was the spectacle of that black, sorrowing host standing immovably behind the military guard that lined the route, throbbing with deep-seated emotion and weeping silent tears for the King who in his short reign had won the hearts of all.

1935: A Lesson for Camps 'Reds'
MADISON, Wisconsin — Following disclosures by a Senatorial inquiry of Communist activities in American universities, students at the University of Wisconsin broke up a Red meeting on the campus (on May 17) and threw four agitators, including Maurice Sweetland, chief speaker, and Ben Weinstein, local organizer, into Lake Mendota to "cool off." The anti-Red demonstration came after testimony in Chicago that Communism was not only dealt with in political science courses in the universities, but that also English literature classes were reading such books as "The Communist Manifesto" and "Communist Primer." It was said that the subject of Communism was being treated more fully than the purely academic knowledge of the subject required.

The Vienna Peace Treaty: Lessons for U.S. Negotiators

By Kenneth L. Adelman and Charles A. Sorrells

Mr. Adelman is director of the U.S. Arms Control and Disarmament Agency; Mr. Sorrells is senior policy adviser to the agency. This is the first of two parts.

WASHINGTON — How to negotiate with the Soviet Union? The rules for doing so have been repeated often: negotiate from strength, specify U.S. negotiating goals, garner bipartisan support in Congress, and work closely with the allies. But in addition to these general rules, a host of lessons can be learned from one of the most successful negotiations conducted with the Soviet Union in the postwar era. The negotiations culminated in the Austrian State Treaty, the anniversary of which was celebrated Wednesday.

And celebrations were in order. The treaty, signed May 15, 1955, by the United States, Britain, France, the Soviet Union and Austria, was a huge success. Measured by the fundamental values of assuring freedom and democracy, the treaty stands as a monument to Western diplomacy.

Except for northern Iran, it was the sole instance in which the Red Army withdrew any major force of occupation troops after the war. Moreover, the treaty restored to Austria its sovereignty, which it lost in March 1938 with Hitler's Anschluss.

Though Austria was "liberated" by Allied forces in the spring of 1945 — when the Soviet troop commander proclaimed that the Red Army was a "liberating, not a conquering, army" — it took 10 years to get the Russians to grant real liberation. Had the United States and its allies lost heart during those 10 frustrating years and accepted an agreement for an agreement's sake, not only Austria but also the West's highest principles would have been the losers. Austrians today might not be free, especially from Soviet occupation. Austria might not constitute the source of stability that it is today, but rather would be a source of tension in Central Europe.

The tale began in Moscow, meeting in October 1943, the American, British and Soviet foreign ministers declared Austria's 1938 annexation by Nazi Germany null and void. They pledged to "see re-established a free and independent Austria."

There the matter stood until the Potsdam summit in August 1945, when another declaration was issued stipulating that "reparations should not be exacted from Austria." But on the summit's last day, Stalin rather offhandedly proposed including "German assets" in Austria as part of German reparations due the Soviet Union. The Americans, ever anxious to end the summit, and the British agreed — without obtaining a definition of "German assets in Eastern Austria." This was most unfortunate, as Secretary of State John Foster Dulles later noted: "It illustrates how terribly dangerous it is to make agreements that are hastily made and in loose terms." For this was to be a critical sticking point throughout the subsequent negotiations.

The issue's prominence came as no surprise. Soon after the Potsdam declaration, the Russians began plundering the Austrian economy as they did

most rapaciously, even brutally, the nations of Eastern Europe. What they could not move, they seized in Austria as "German assets." These included two-thirds of the Austrian oil industry and virtually all Danube shipping facilities. By 1955, Soviet economic exploitation had inflicted on Austria losses of roughly \$1 billion, excluding occupation costs.

The United States and Britain protested the Soviet actions violated the Potsdam agreement. The Soviet Union rebuffed the protests. The Americans and the British resorted again to diplomacy, that spring of 1946, striving to place the Austrian State Treaty on the agenda of the Council of Foreign Ministers. The Soviet foreign minister, Vyacheslav Molotov, flatly refused.

That opened a diplomatic battle that was to run nearly a decade before yielding not only success for the West but also six critical lessons.

Lesson one: Major negotiations with the Russians require great, even superhuman, patience.

The Russians are tough and wily negotiators. The first of four secretaries of state to negotiate the Austrian treaty, James Byrnes, later wrote about American negotiators who "because a thing is right... cannot understand why Mr. Molotov does not agree to it." The third secretary involved, Dean Acheson, wrote: "What one may learn from these experiences is that Soviet authorities are not moved to agreement by negotiation — that is, by a series of mutual concessions... Theirs is a more primitive form of political method. They cling stubbornly to a position, hoping to force an opponent to accept it. When the opponent doesn't, they hastily abandon it — after asking and having been refused an unwarranted price — and hastily take up a new position, which may or may not represent a move toward greater mutual stability."

The last secretary involved in the negotiations, John Foster Dulles, described the talks as "merciless" and likened them to the myth of Sisyphus, who endlessly pushed a heavy stone up the mountain only to have it roll back down when nearing the peak.

The push up the mountain really began in January 1947. Special deputies to the four foreign ministers (France had been added after the war) met to draft and negotiate the treaty. These talks broke down in 1948 but were renewed in the middle of the following year. By that time Stalin may have had to readjust his foreign policy in response to the sort of Western resolve exemplified by the heroic Berlin airlift. He seemed to switch tactics and adopt his own "peace offensive." This was designed to give the appearance, if not the reality, of a thaw in the Cold War.

From 1947 to 1955, the four powers held a staggering 400 meetings on the Austrian treaty. In the bulk of those meetings — more than 300 — a foreign minister level or lower — little or no progress was made.

At times, the gap widened. Seemingly significant progress would evaporate, once within hours. On June 20, 1949, in Paris, Soviet Foreign Minister Andrei Vishinsky did a swift reversal. Mr. Acheson writes how Ernest Bevin, the British foreign secretary, "congratulated him on a new record. Soviet agreements were fragile things but today's was the frailest yet. It had not even survived the day." The rock kept tumbling down, but the Sisyphuses of the West kept pushing it back.

Lesson two: Major concessions, particularly in the form of package deals, can quickly be pocketed by the Russians in exchange for nothing.

A stumbling block for years was reparations. The Russians agreed at Potsdam not to exact them from Austria, yet demanded them thereafter; the West adamantly refused to grant them, yet later relinquished them.

Moscow had its eye most keenly on Austrian oil production. Western foreign ministers thought they had settled this issue during the May 1949 meeting in Paris, when the Russians agreed that their claim to oil assets would give them rights to 60 percent of the oil-producing lands in Eastern Austria. Two months later, the Russians "reinterpreted" the Paris agreement to claim a monopoly on future Austrian oil production. They sought not only to end a prostrate Austria but to establish a permanent economic hold over it.

During the September 1949 foreign ministers' meeting in New York, Mr. Vishinsky outlined the makings of a grand deal: All remaining ungranted articles would present "no difficulties" to Moscow if this matter of so-called German assets — i.e., reparations from Austria — "went the Soviet way." The United States countered with a slight modification: The West would accept most of the Soviet demands on this main issue in exchange for Soviet agreement to the Western position on all other remaining and relatively subordinate issues. This fell short for the Russians.

The Soviet response was the response — according to the State Department's historical record — with "one of the most abrupt statements in the record of postwar negotiations." He stated that the "German assets" article "must be worded exactly as the Soviet Union wished before any settlement could be reached on the other issues." When agreeing to this a few days later, the West made clear that it signed on the exact Soviet wording in order to secure the earliest possible conclusion of the whole treaty.

The State Department record tells what happened next: "The Soviet Union readily accepted this offer, but then refused to give anything in return. Vishinsky's statement of a month before was in effect withdrawn once the Western powers had made the desired concession."

What became theirs, remained theirs. What was to be ours, remained negotiable.

International Herald Tribune.

Half a Loaf, Not the Bakery

By William B. Bader



ARLINGTON, Virginia — The breakthrough in the Vienna Peace Treaty talks had little to do with Soviet concessions in the face of steady Western pressure, in letting the indigestible Austrians go, the Russians not only withdrew to a more defensible military line along the Czechoslovak border but were able to include such stringent military and political restrictions in the treaty that Austria is now virtually a military vacuum in Central Europe.

The lines of supply between two of the most important North Atlantic Treaty Organization countries — West Germany and Italy — must now go around the twin neutral barriers of Switzerland and Austria. Then, too, Nikita S. Khrushchev, the Soviet leader, had wanted a summit meeting. Much to the displeasure of Secretary John Foster Dulles, the Austrian decision made it impossible for the United States to refuse.

As for the United States, the bracing challenge was to fulfill the prom-

ise of the Moscow Declaration of 1943 that Austria, "the first free country to fall victim to Hitlerite aggression," would not only be liberated but made "free and independent." Yet America hoped also for a Western-oriented Austria, along the lines of West Germany. For years nothing happened, then came that critical moment in 1955 when both sides saw reason for a compromise that took the form of a neutralized, virtually demilitarized Austria for an Austria free of Soviet presence.

The independence of Austria, then, is no monument to the virtues of marathon bargaining or Western negotiating finesse. It is an example of how divergent East-West objectives can sometimes evolve to a point where, briefly, both parties can conclude that their interests are best served by agreeing to half a loaf.

The writer is author of a book on the Austrian peace treaty. This view is excerpted from The New York Times.



Special Reasons for Gorbachev's Summit Skittishness

By Flora Lewis

VIENNA — There is little doubt that the Soviet leader, Mikhail Gorbachev, intends to visit the United Nations in New York this fall. It is hardly likely that he would go to the United States without meeting with President Reagan.

So it seems odd that Secretary of State George Shultz and Foreign Minister Andrei Gromyko could not agree on a time and place for a summit conference during their meeting here. But there are other questions.

Vienna offers both auspicious and worrisome precedents. This was the site of the disastrous Kennedy-Khrushchev meeting in 1961. President Kennedy was overconfident and thought he could strike an understanding with the Soviet leader in first-hand "get acquainted" talks.

This was just after the Bay of Pigs fiasco, and the meeting exploded in recrimination.

But Vienna was also the most spectacular, almost unique example of how a new Soviet leader could be persuaded to make an enormous concession to the West to free his hands for domestic reforms. Nikita Khrushchev agreed to end the occupation of Austria in 1955 so as to ease tensions along his own border.

Shultz and Mr. Gromyko were here celebrating the 30th anniversary of that treaty.

The question now is which way an encounter with the seventh Soviet leader, in the process of consolidating his power, is likely to go. On appearances, Mr. Reagan's insistence that the meeting be in Washington is holding things up. It would be foolish to seek such one-upman-

ship to mark a distinction from sessions Mr. Gorbachev may have with other world leaders in New York. By definition, a Soviet-American summit conference is special. The time has come to show the world that the two leaders can talk to each other with civility, even without a dramatic breakthrough.

But Mr. Gorbachev may have special reasons beyond the protocol of place for needing more time before the date is fixed. Former Chancellor Bruno Kreisky of Austria has some fascinating hunches. He points out that every new Soviet leader has set out to mark a policy shift.

The key move by Mr. Gorbachev has been to enlarge the permissible size of private agricultural plots, which can make an enormous difference in food supplies for Soviet cities. His first priority is surely domestic conditions.

But what does that mean for East-West relations? One choice for the Kremlin leader would be to concentrate on internal problems and leave foreign affairs mainly to Mr. Gromyko and his seasoned advisers.

Another, which Mr. Kreisky thinks possible, would be early leadership changes enabling the appointment of a new foreign minister to ease tensions — possibly the ambassador to the United States, Anatoli Dobrynin.

Mr. Gorbachev could do this by forgoing the assumption of the Soviet presidency for now,

naming Mr. Gromyko instead. It would be a push upstairs. Then he would have more elbow room in talking to Mr. Reagan.

A part of the leadership renewal is likely to be replacement of the 80-year-old prime minister, Nikolai Tikhonov. Support for moving Mr. Gromyko aside could be won by giving this post to Grigori Romanov, Mr. Gorbachev's main rival for the top leadership. He has recently been studying Hungary's economic reform system to report to the Kremlin.

This is speculation, but it is based on Mr. Kreisky's unusual contacts, experience and insights. He says Mr. Shultz and Mr. Gromyko seemed to get on well and to like each other personally, even trading jokes, which is not the specialty of either one. That belies Viennese press reports that their exchanges were all tough and grim, though there was certainly lots of tedious repetition.

Another meeting is likely in August on another anniversary, of the Helsinki Agreements. That could be a final preparation for the summit conference. Some useful, if not dramatic, records seem possible to make the Reagan-Gorbachev session more than a mere introduction.

It is important in the meantime not to let a quibble about going to Washington get in the way of any ideas Mr. Gorbachev may have that better relations with the United States would be a good way to strengthen his base for tending to domestic problems.

The New York Times.

The Conservatives' Day in America: Dawn or Dusk?

By David S. Broder

WASHINGTON — In recent issues of his biweekly newsletter, The American Political Report, and in an article in last Sunday's New York Times Magazine, Kevin Phillips has offered an interesting analysis of the Reagan administration and its political prospects as anything that has come across this desk.

Mr. Phillips writes from the perspective of a conservative who shares many, if not all, of Mr. Reagan's policy goals. He has been not just a student but a proponent of the conservative movement since his book, "The Emerging Republican Majority," appeared after he served a stint in the Nixon administration.

This background is part of what makes Mr. Phillips's views so interesting to readers. Many observers, including this reporter, are far more dubious of some of Mr. Reagan's policies. But we have written of his election and re-election as signaling the advent of a possible conservative era in national affairs. Mr. Phillips has been moving in the other direction.

He argues that 1984 is likely to be seen as the high-water mark of conservatism in the current political era and that the tide of sentiment and elections is far more likely to swing back in the other direction.

In his newsletter, he has argued mainly that economic and political cycles are conspiring to frustrate the conservatives' hopes. In the New York Times article, he added a third factor: the human "overpopulation" and exaggerated pride that he says is leading the Reagan administration to misinterpret and overstate the mandate of the president's re-election.

Mr. Phillips is the popularizer of the notion of the "six-year itch": that there is a pattern of seven or eight years of Senate House and gubernatorial seats for a president's party in the sixth year after it gains control of the White House.

What happened to the Republicans in 1958 and 1974 (six years after Dwight Eisenhower and Richard Nixon were last elected), and what happened to the Democrats in 1938 and 1966 (six years after Franklin

Roosevelt and John Kennedy won), is likely to happen to the Republicans in 1986, he said: a political bath.

The political cycle, he argued, is linked to an economic cycle of severe recession or inflation at that point of a party's White House tenure.

As many of us have watched the changing candidate picture for 1986, we have written about the improving odds for continued Republican control of the Senate and for gubernatorial gains. We have seen Mr. Reagan's agreement to the Senate budget package as the possible harbinger of sustained economic growth. And we have suggested that tax reform is an issue on which Republicans may lock in the allegiance of previous ticket-splitters and Democrats.

But through all this, the pessimistic Mr. Phillips has been plucking at our coats and warning, "Do not disregard the patterns of the past."

Now, in the Times, he has added another argument: "Mandate politics has helped nurture excesses" in the second-term Reagan White House, ranging from interventionism in Nicaragua to cutbacks in Social Security and other middle-class entitlement programs, to laissez faire tolerance of trade deficits, to continuing emphasis on "fundamentalist religious goals."

Is Mr. Phillips right? Is President Reagan in the process of blowing the conservatives' big chance? There is a contradiction inherent in his argument. If the cycles of party growth and decline are as ironclad as he suggests in his six-year theory, then Mr. Reagan is powerless to avert a Republican debacle in 1986 and probably in 1990, and his policies are irrelevant. But I doubt the automaticity of these cycles. A party that can reduce the deficits and tax rates (via tax reform) in its second term, as

Republicans may be able to do, can perhaps sustain economic growth and earn enormous political credit.

Still, I think Mr. Phillips is right — and very relevant — in reminding us that all of American history suggests we will see swings in public mood from wanting governmental activism to fearing it, and back again.

Mr. Phillips is also wise in reminding his fellow conservatives that people want more from government than stockpiles of missiles. As he wrote, the threats of "America's jeopardized agriculture, eroded manufacturing competitiveness, run-down transportation infrastructure, shaky financial institutions and troubled educational system may be about to force Washington's hand."

When they do, the voters may turn from Mr. Reagan's anti-government rhetoric to the Democrats for activist responses. As the old saying goes, "What goes around, comes around."

Washington Post Writers Group.

LETTERS TO THE EDITOR

Aid to Family Planning

I read with great interest the editorial "Aid and Family Planning" (April 18). It is absolutely essential that all efforts to improve the economic and social situation of people in the Third World be supported. Aid to family planning plays a very important role in this context.

The UN Fund for Population Activities, a multilateral organization, is particularly suited for implementing the necessary aid measures.

As chairman of the Committee on Economic Cooperation of the West

German Bundestag, I am well-acquainted with the UNFPA and know that since its inception it has observed three principles: respect for national sovereignty; support for the basic right of couples freely and responsibly to determine the number and spacing of their children; integration of population programs with other development activities. It should be supported.

UWE HOLTZ,
Bonn.

The Profit in Arms

Regarding the report "Profits for Arms Makers Outpace U.S. Industry" (Business/Finance, April 10):

Jeff Gerth purports to show that the return on equity (ROE) for the 10 leading U.S. defense contractors in 1984 was 25 percent, compared with a national industrial average of 12.8 percent. In other words, profitability in the defense industry was suppo-

edly twice as high as for the national industry overall.

I checked Mr. Gerth's figures against those published for the "Fortune 500" for 1984 and came up with a somewhat different story.

According to Fortune magazine's numbers, these same 10 defense contractors had a collective ROE (sum of net income divided by sum of stockholders' equity) of 17.8 percent compared with an average ROE for the Fortune 500 of 13.6 percent. That may be a nice difference, but hardly the 2-to-1 ratio implied by Mr. Gerth.

Furthermore, it is highly misleading to compare these 10 defense contractors with U.S. industry in general. More useful would be a comparison with the aerospace and electronic industries, since all 10 fall in one of these two industry sectors. Had Mr. Gerth made these comparisons, he would have found out that the ROE for the electronic firms among the 10 defense contractors was lower than for the electronic industry overall —

though the leading defense aerospace firms had a higher ROE than the aerospace industry overall.

STEPHEN KLEIN,
Ulm, West Germany.

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In response to the report "Slowing of U.S. Economy Raises Policy Questions for Reagan" (April 20):

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Asia Gains A Forceful Spokesman

Malaysian Leader Blends East, West

By Barbara Crossette

New York Times Service

KUALA LUMPUR, Malaysia — Malaysia is a quiet country, with no border wars or large-scale terrorist movements, but it has its problems. According to the government's own figures, 22 percent of Kuala Lumpur's people live in squatter conditions.

Tensions between ethnic Malays, who comprise 53 percent of a population of 15 million people, and the Chinese minority persist and have been fueled by government policies that give preference to Malays.

For four years, Prime Minister Mahathir Mohamad, 59, has been the man maneuvering the country around these obstacles. Admirers and detractors agree that Mr. Mahathir, a physician by training, has proved to be a skillful politician.

Switching, as the occasion demands, from well-tailored Western suits to traditional Malay kumis, trousers, sarongs and black songkok (a fez-like hat), he travels around the country promoting both Islamic values and advanced technology, Eastern culture and Western capitalism.

He has vowed to cut corruption and bureaucratic indifference, and publicly denounces vote-buying in his own party. He wears a badge bearing his name, as he requires all government employees to do, so there can be no hiding behind anonymity.

"They can't treat us like pariahs anymore, pushing us from desk to desk," a man in a post office line said approvingly of the name tags.

"We can write down who they are when we get bad treatment," he said, according to a transcript of the speech printed in The Star, a Kuala Lumpur newspaper.

He declines requests for interviews offering him an opportunity to present his views.

Once a devastating university debater, Mr. Mahathir has acquired a reputation for abrasive, but never dull, speeches. When Prime Minister Margaret Thatcher of Britain visited Malaysia in April, Mr. Mahathir took the opportunity to describe the Commonwealth as "a creature of the past."

"He can't help it; that's just his habit," said Prince Abdul Rahman, 82, who was Malaysia's first prime minister.

"He never had a kind word for me when I was prime minister," the prince said, adding with a chuckle: "On my 80th birthday he came to apologize for some of the things he had said in the past."

Mr. Mahathir is Malaysia's first prime minister not of primary birth. A relatively conservative Muslim and an ethnic Malay nationalist, he was expelled temporarily from the governing party in 1969 for his opposition to its policy of submerging racial difference in political organizations.

He argued that ethnic Malays must strengthen their identity before they could achieve equality with the economically powerful Malaysian Chinese.

"The Malay Dilemma," a book he wrote in 1970 exhorting Malays for their cultural weaknesses and demanding special attention to their plight was banned until Mr. Mahathir became prime minister in 1981 after the resignation of Hussein Onn. He was elected in his own right in 1982.

Mr. Mahathir's backing for the economic and social policies that give advantages to ethnic Malays in business, education and employment has led to criticism that the enthusiasm and confidence of the country's ethnic Chinese, traditionally the entrepreneurial class, is being undercut at a time when Malaysia needs to expand industry and attract investment.

He is unmoved. "We know the Chinese are very hard-working, very diligent and very successful in business," he told a caller to a British Broadcasting Corp. "phone-in" program recently. "If we allow that to go on, we will find the Chinese and other races have different economic status. In a country where we have different races, the fact of race alone is divisive enough."



Prime Minister Mahathir Mohamad of Malaysia in two familiar guises: Western suit with name tag, and Malay tunic.



Prime Minister Mahathir Mohamad of Malaysia in two familiar guises: Western suit with name tag, and Malay tunic.

From Foreign Embassies, Afghan News

Despite Misgivings, Reporters Depend on 'Western Diplomatic Sources' in Asia

By William Claiborne

Washington Post Service

NEW DELHI — At noon almost every Tuesday, a half dozen or more foreign correspondents based in Islamabad, Pakistan's capital, gather in a windowless room on the ground floor of a Western embassy building for a briefing on the progress of the war in Afghanistan.

An embassy spokesman, who has not been identified and who frequently stumbles over the pronunciation of the names of unfamiliar towns, begins reading from a long, teletyped cable from his country's mission in Kabul.

The spokesman does not have to spell out the ground rules for the briefing, which are well known to the reporters: They can take notes on the reading of the report, but they cannot use tape recorders or be given copies of the document.

Attribution is strictly limited to "Western diplomatic sources," even though the Soviet Union and the Afghan government are well aware of the briefing sessions and can see through the thinly disguised sourcing that appears in the following day's newspapers.

The diplomatic sources readily concede that there is little doubt that their cables have been intercepted by Soviet intelligence. At the same time on Tuesday, foreign journalists in New Delhi gathered around a conference table in the chancery of a Western embassy and listened to a reading of an identical report on the war. As in Islamabad, substantive questions are not entertained, because the briefing officer has no information beyond what is contained in the report.

Usually, the New Delhi-based reporters then go to the nearby chancery of another Western diplomatic mission and listen to the reading of a similar war report, whose details often, but not always, mirror those of the other embassy.

In both Islamabad and New Delhi, the correspondents who attend the briefings are, in a sense, a captive audience. They are denied an opportunity to verify the reports, because the Afghan government

does not permit Western reporters to visit the battle zones.

Periodically, journalists slip across the porous Pakistan-Afghanistan frontier with bands of insurgents. But because of the rugged terrain and the danger from Soviet and Afghan troops, their perspective often is limited to a relatively narrow geographical area.

As a result, in the battle for public opinion being waged by the Soviet Union and the West in the United Nations and elsewhere, the Tuesday briefings by "Western diplomatic sources" has assumed increasing importance.

The most recent offensive in the public relations war has centered around reported atrocities by Soviet troops against Afghan civilians.

These included reports on Tuesday of massacres of about 1,000 men, women and children by Soviet soldiers in Laghman Province in northeastern Afghanistan.

The reports said that from March 11 to 18, Soviet Army units burned and looted a dozen villages in reprisal raids against civilians supporting Islamic guerrillas.

Most reporters based in southern Asia who try to monitor the progress of the war do not dispute the view that something sinister, and probably akin to the disturbing diplomatic reports, has been going on in eastern Afghanistan.

For weeks, Afghan travelers who arrive in New Delhi have spoken vaguely of Soviet massacres of civilians in reprisal for assisting the Mujahideen, the Moslem rebels who have been fighting against Soviet and Afghan government troops since the Soviet Union intervened in December 1979.

The Afghan Information Center, which is headquartered in Peshawar on the Pakistani border, and which is regularly in contact with journalists based in Islamabad and New Delhi, has spoken of civilian massacres, although its details of

ten are at variance with those offered in the briefings.

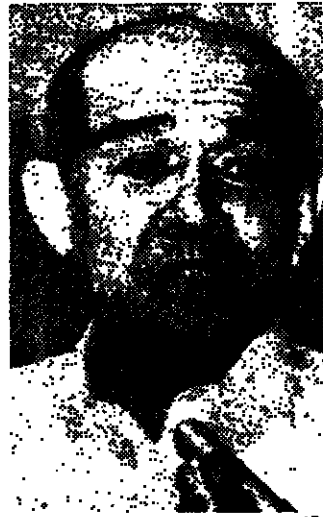
However, it is the numbers of casualties reported that journalists often view with suspicion.

In November 1982, Western diplomatic sources in New Delhi reported a major disaster in the Sulaiman Pass tunnel through the Hindu Kush mountains in northern Afghanistan. Witnesses were quoted as saying that more than 700 Soviet soldiers and 400 Afghan civilians had died in an explosion, and that as many as 2,700 people might have been killed.

The story, emphasizing the death toll, received wide attention in the international press. A month later, the Western diplomatic sources scaled down the casualty total to 350.

As a result of that and other such experiences, many reporters in southern Asia have become suspicious of the figures supplied in the regular briefings by Western diplomats, particularly those originating in remote areas of Afghanistan.

U.S. Prods Philippines to Demote Ver



General Fabian C. Ver

WASHINGTON — The United States has told the Philippine government that military reforms are needed and that General Fabian C. Ver, accused of complicity in the murder of Benigno S. Aquino Jr., should not be retained in a powerful position, administration officials report.

Paul D. Wolfowitz, assistant secretary of state for East Asian and Pacific affairs, and James A. Kelly, deputy assistant secretary of defense, told a congressional subcommittee on Thursday that there were hopeful signs of reform in the Philippine military but that much remained to be done.

Among U.S. concerns is the continued influence of General Ver, the former chief of staff and a confidant of President Ferdinand E. Marcos, Mr. Wolfowitz said.

Representative David R. Obey, Democrat of Wisconsin and chairman of the foreign operations subcommittee of the House Appropriations Committee, noted that General Ver had retained his position on the National Intelligence Security Agency.

Mr. Obey asked what General Ver's position would be once the trial of military personnel accused in the assassination of Mr. Aquino, a Philippine opposition leader, was concluded.

"I cannot say," responded Mr. Kelly.

Mr. Obey also asked whether the Philippine government had "a sufficient understanding of the problems" involved from the U.S. point of view if General Ver kept his position.

Mr. Wolfowitz responded that the U.S. objection to General Ver "is very clearly understood" by the Marcos government.

U.S. Tells New Zealand Consulate Its Travel Services Are Prohibited

The Associated Press

WASHINGTON — The State Department has informed New Zealand that commercial activities related to travel, such as making airline reservations, are not permitted to diplomatic missions.

"Promotion of tourism is considered a legitimate diplomatic and consular function," a department statement said, "but the United States distinguishes between promotion of tourism and the sale of travel arrangements."

The statement was issued Wednesday after The Washington Post reported that New Zealand's consulate in San Francisco was confirming airline flights, booking sightseeing tours and reserving rental cars for people traveling to New Zealand.

Relations between the United States and New Zealand are strained over New Zealand's refusal

to allow visits by U.S. naval ships carrying nuclear weapons.

"When the promotion of tourism becomes commercial in nature, the department said, 'it goes beyond promotion and is not permitted to diplomatic missions.'"

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ARTS / LEISURE

High Estimates Lead to Auction-House Setbacks

NEW YORK — As auctioneers try to steer the market up and up, mishaps multiply. The effect is worst in the upper end of the market.

Christie's experienced a rebounding and predictable defeat in New York last week with "Highly

SOURIN MELIKIAN

Important Paintings by Old Masters from an American Private Collection. The collection, as Christie's called it, did not look much like one. There is no link between the German Renaissance master Lucas Cranach the Elder, the 17th-century Dutch artist Albert Cuyp and the French 18th-century petit-maitre Hubert Robert. Nor was there any consistency in the quality of the 20 works shown. A poorly composed landscape by Hubert Robert done in 1802, late in the painter's career, and a pitiful view of the Grand Canal, Venice, supposedly by Canaletto, contrasted with two very fine Cuyps and a wonderful Jan van Capelle. Such disparity suggests an investor gambling in art, buying without any guideline other than the artist's fame.

A telling confirmation of this was provided by the speed at which the "collection" had been formed. Most of the pictures had been acquired, the catalog noted, within six years. Possibly aware of the need to glamorize this motley assemblage, the owner — whose name has not been released — had

exhibited his wares at the Kimball Art Museum in Fort Worth, Texas, in 1982. He later published at his own expense a volume, "Old Master Paintings from a Private Collection in the United States," which had the appearance of a deluxe auction catalog without a scheduled date. Indeed, Christie's catalog last week carried verbatim the preface, signed "Christopher Wright, edited by Victor Koshik-Vouritzin," down to its punch line: "Almost all of the paintings discussed are of the highest order. They transcend the normal categories of the Old Masters and, in common with all works of genius, refuse classification."

Calling bad or medium-range paintings "works of genius" will not do the trick. Nor will the inclusion of four or five very good pictures — a Cuyp landscape with two hunters, a Claude-Joseph Vernet dated Rome 1745, Jacob van Ruyssdael's "Wooded Landscape with a Waterfall" and a masterpiece by Jan van de Capelle. Failure might have been avoided had the estimates been realistic, but these reflected the owner's wishes rather than the prices that the paintings were likely to achieve.

This led to disaster. The first five lots probably sealed the fate of the sale. No. 1, the mediocre 1802 landscape by Hubert Robert, was bought in at \$50,000; the wild estimate had been \$100,000 to \$150,000. No. 2, a banal pair of oval scenes by Hubert Robert, was bought in at \$120,000. No. 3, a pair of genre scenes by the insipid Baptiste Pater, was the first lot to

sell at a good price — \$220,000, which nevertheless only matched Christie's low estimate. Next, a poorly painted Salomon van Ruysdael was bought in at \$150,000 (estimate \$200,000 to \$300,000). By the time Cuyp came up, the wind was definitely blowing in the wrong direction. This fairly important picture, overestimated at \$1.5 million to \$2 million, was unsold at \$850,000.

With 67 percent of the grand total from the sale representing bought-in paintings, the auction stands out as one of the worst disasters in recent years.

This week it was the turn of Impressionists and Modern Masters to have a difficult time at Sotheby's and Christie's, with yet another tale of inflated estimates attached to pictures that were mostly second rate or worse.

In Sotheby's evening session Tuesday, face was only just saved thanks to the inclusion of a rarity: Egon Schiele's view of Krumau, done in 1917, went up at \$2.3 million, or \$2.3 million with the sales charge — a huge price. Even so, Sotheby's virtually systematic over-estimation of every work in the sale made this price seem less extraordinary than it was. The catalog carried an optimistic estimate of \$2.5 million to \$3 million. On lesser works, this imprudent policy worked havoc. Out of 91 lots, 45 failed to reach their reserves and were bought in. With the addition

of the Surrealist works from the Jod Mollin collection offered immediately after, Sotheby's was left with 41 percent of the sale total representing unsold works Tuesday evening.

A glance at the stranded works makes one wonder whether the auction rooms are getting intoxicated by their own propaganda. If there really was a buyer as the auctioneer, John Marion, said "260,000" for a bronze figure of a man described as "Auguste Rodin L'Ombre." Sotheby's and the vendor would have been inspired to let it go at that price. The bronze is No. 9 from an edition of 12 cast in 1972 by the Musée Rodin in Paris. But Marion raised the stakes to \$270,000, got no response from the room, and brought down his hammer. The estimate of \$300,000 to \$350,000 points to an unrealistic reserve price.

Eugene Boudin's view of the harbor at Caudebec, which followed, carried an equally crazy estimate of \$100,000 to \$125,000. The painting, done in 1873, is far from unattractive to a connoisseur, but it is a dark affair in black and grey; there are few buyers for that sort of painting. Marion's buy-in bid was \$85,000. Even at that, the Boudin would have been dearly bought.

Still, miracles sometimes take place. The painting that followed, a picture-postcard landscape by Gustave Caillebotte, using Impressionist technique, established a

world record for the artist at \$473,000. Caillebotte was a rich man who patronized Impressionist painters, of which he formed a summing collection, and dreamed all his life of becoming a great artist. He played a key role in the history of Impressionism. With the awareness of historical significance in every field of art collecting, it is not surprising that a rich and clever collector, Sam Loewowitz, should have wanted one of Caillebotte's best achievements.

What is unwise is to expect miracles of the most ordinary works. A pastel portrait by Renoir of his son at age 2, very sketchily done, may have been salable at about \$130,000 — its buy-in price — but certainly not within the \$175,000 to \$225,000 bracket given as Sotheby's estimate.

Monet's "Les Sables Bleues," a confused study of weeping willows, was bought in at \$900,000 and never stood a chance of reaching Sotheby's \$1.1-million to \$1.5-million estimate.

The following day, Christie's made a relatively better score; estimates were, on the whole, more moderate. The sale total was \$13.2 million, of which bought-in pictures accounted for just over \$6 million, or 33 percent. However, a Chagall painting, "La Reine du Cirque," was bought in at \$420,000, which would have been a vastly inflated price. Most telling, perhaps, was the failure of a large Cubist still life by Braque, knocked down at \$1.7 million. Professionals said this work was bought last year from a New York dealer by a businessman trying his hand at art speculation. He sent it for sale again far too soon and apparently with a gigantic reserve. If Christie's estimate of over \$3 million means anything.

Such obvious miscalculations suggest that it is high time for amateur speculators and auction houses alike to cool down a bit. The machinery may grind to a halt if such manipulation continues.

Large Diamond Sold
A 55.91-carat diamond sold for \$5.5 million Swiss francs (about \$2.14 million) Thursday night to a London dealer, Lawrence Graff, at Christie's in Geneva, but at a 36.71-carat table-cut diamond, last described in the 17th century as part of the collection of the Mogul emperor Aurangzeb and long believed lost, found no buyer. The Associated Press reported.

High Point of Cannes Is Schrader's 'Mishima'

By Thomas Quinn Curtiss

CANNES — Paul Schrader's screen biography of the Japanese author and nationalist Yukio Mishima stands as the major event of the 1985 Cannes film competition and appears destined for top honors.

Mishima's career through his death by ritual suicide in 1970, at age 45, has been synthesized in an exemplary script tracing him from a lonely childhood to emergence as a controversial public figure. Scenes from his plays and novels are in color and his personal experiences are in black and white. "Mishima" concludes with his last gesture — when he sought to fuse his fiction with reality — and with the suicide of one of his fictional characters.

A fiery individualist in a convention-ridden society, Mishima was the victim of many delusions. He evaded military service by feigning illness; later he declared himself a samurai, took up body-building, recruited a private army and proclaimed himself the restorer of national purity and honor. His nature is perhaps best revealed in his address to rioting leftist students: He cited Thomas Mann as his model as a writer, then, when asked who he would most like to be, replied with a grin: "Elvis Presley."

Schrader, with distinctive artistry, draws the background of Japan before and after World War II and the 1960s. He avoids depicting the details of the finale, which a less tasteful director would have employed for shock value.

Ken Ogata as Mishima delivers a characterization of imposing stature. The dialogue is in Japanese, with subtitles, and there is a drowsy-sounding commentary in English.

"Pale Rider," directed by and starring Clint Eastwood, is a classic western. The adage "Never change a hit" has been obeyed scrupulously, with happy results. Here is the untamed frontier settlement with its feuds, brutish bad men and innocence in peril until a mysterious stranger rides into town to right wrongs. Aside from a title derived from the Book of Revelation, and improved photography of the open spaces, this western has a familiar face.

"Beijo da Mulher Aranha" (Kiss of the Spider Woman), the official Brazilian entry, directed by Hector Babenco, is in English. The American actors William Hurt and Raúl Julia play South American prisoners in the same prison cell. One, an effeminate shop-window designer, is up for trial on a morals charge. The other is an idealistic revolutionary being questioned about subversive activities. The

former entertains the latter with his memories of a film. While he describes it, excerpts from this film, set in Paris during the Nazi occupation, are inserted. Embarrassingly, it is more amusing than the film in which it is inserted. Sonia Braga playing a Parisian vamp is this entry's sole asset.

In other Cannes screenings rooms, Peter Bogdanovich's "Mask" is a moving tale, based on an actual case, about a boy with a fatal deformity falling in love with a blind girl. Eric Stoltz as the boy and Cher as his mother lend it poignant reality. Marcello Mastroianni's portrayal of an adventurer without conscience or long memory brightens Mario Monicelli's adaptation of Franchini's "Il Mattino Pascali" (The Double Life of Mathias Pascal), which otherwise is rather stodgy.

Neither Lambert Wilson nor Jean-Louis Trintignant succeeds in breathing even a moment of life into André Téchiné's inert "Rendez-vous." The Yugoslav director Emir Kusturica in "Otac Na Suvbenom Putu" (Papa Is on a Business Trip) — about a 6-year-old's reactions to his father's arrest on a political charge — fails to come to grips with his story.

Egypt's "Adieu Bonaparte" by Youssef Chahine, with Patrice Chéreau as the conqueror, has to do — in a dull, befuddled manner — with an Alexandrian family befriended by one of the invader's generals. Wim Wenders' "Tokyo-Ga" is a documentary visit to Tokyo that pays tribute to the late director Yasujiro Ozu, whom Wenders greatly admired.

"Sugar Love," by the Lebanese director Jocelyne Saab, accurately reflects the moods of wartime Beirut, according to those who have been there. Machine-gun fire plays a sinister accompaniment to the tale of a weedy, middle-aged artist and his encounter with a young girl. This picture of a city in ruins will linger in memory. Wayne Wang's "Dim Sum" is of sociological value, telling of the generation gap in a Chinese family in San Francisco.

Richard III Son's Tomb Restored in Yorkshire

THE ASSOCIATED PRESS
YORK, England — The tomb of Edward, only son of King Richard III, has been restored after centuries of neglect, according to the Richard III Society.

Edward died in 1484 at age 11 at Middleham Castle in north Yorkshire and was buried in the parish church at the nearby village of Sheriff Hutton. The tomb was damaged in the following century and later covered with whitewash.

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Norman Watt (left) and William Goodacre: Bad art "jumps out at us sometimes."

In Pursuit of the Best of the Worst

By Christopher S. Wren

NEW YORK TIMES SERVICE

VANCOUVER, British Columbia — The life of Norman Watt was transformed 16 years ago when he walked into a shop in New York and gazed at the moonlit landscape, titled "Luna di Sera," on display.

"I've got to say, that's the worst oil painting I've ever seen," Watt recalled telling the proprietor. "I'll give you \$4.95 for it."

"She said, 'Give me \$5 and it's yours,'" Watt took the canvas home to Vancouver, where it started his collection of the world's worst oil paintings. With a friend, William M. Goodacre, Watt spends weekends scouring thrift shops, flea markets and garage sales, driven by an aesthetic question: It may be art, but is it awful?

The answer is depressingly affirmative. Watt and Goodacre have turned up armfuls of raspberry and lemon-colored horizons, menacing trees, lifeless animals and top-heavy nudes. Watt, who directs extra-sessional studies at the University of British Columbia, insists that the market potential has barely been tapped.

"It's out there," he said. "It is just waiting for Bill and me. It jumps out at us sometimes."

It was inevitable that their discoveries would be shared with the public. "After five years, we had about 200 oil paintings and our wives said, 'Get these damn things out of here,'" Watt said.

So they approached Douglas Mowat, the of the British Columbia Paraplegic Foundation, proposing that the bad art be fitted and auctioned to raise money for research and rehabilitation of spinal injuries.

In eight auctions, they have grossed more than \$75,000. They have also duped at least two world-class art museums into accepting donations: The Prado in Madrid and the Hermitage in Leningrad have unwittingly accepted canvases from their collection.

The connoisseurs of bad taste limit acquisitions to oils and acrylics that cost \$5 or less. They balk at anything painted on velvet or by the numbers. "We do have standards," Watt said.

Nudes fetch the best prices. "You can tell it's a bad nude if you can't see the hands and feet," Watt said, "because bad artists can't do hands and feet."

The collectors also ferret out landscapes with such engaging anomalies as streams running uphill. "If it has bad perspective and it's obvious, we try to snap it up," Watt said.

They have uncovered 34 oils by a relentlessly unskilled California artist, who, Watt said, "even hides the feet of animals."

As Norman Young, a professor of theater at the university and a co-conspirator, recently put it, "We are giving belated recognition to artists who would never have gotten it anyway."

'Off-Hollywood' Cinema Nurtured by Mavericks

By Annette Insdorf

ALTHOUGH American independent filmmakers are hardly a new phenomenon, it is only in the past two years that they have represented a serious commercial alternative to Hollywood movies. One prime reason for the success of such recent films as "El Norte," "Stranger Than Paradise," "Chloe," "The Brother From Another Planet," "Stop Making Sense" and "Blood Simple" is a new group of distribution companies that are increasingly involved in production and are committed to American independents.

A budding filmmaker 10 years ago could choose only between a studio deal (which might deprive him of control) and begging or borrowing the budget (with no assurance that the final product would be distributed). Directors today have a new option. The healthy profits of the above-mentioned films have enabled their distributors — Cinecom International, Island Alive, The Samuel Goldwyn Co. and Circle Releasing — to expand into production. For the filmmakers, especially younger ones, they provide close attention to individual films and, often, sympathetic response to idiosyncratic or off-beat ideas.

"Specialized films" is no longer an appropriate term to describe this phenomenon. As off-Broadway developed as an alternative to the high-cost, big-name, mass-taste theater, perhaps "off-Hollywood" would best indicate the kind of films that are beginning to challenge the major studios' values and methods.

The existence of these new companies (including SpectraFilm, which concentrates on foreign-language films) can be seen as both a response to escalating Hollywood costs — with careful marketing and reasonable publicity budgets, they have been able to release films successfully for a fraction of the major productions — and as an outgrowth of the studios' classics

divisions, which emerged a few years ago.

Cinecom International, two and a half years old, seems to be in the forefront of this movement. The recently opened "1918" was the first film in whose production the youthful executives of this New York-based company invested. Written by the Academy Award-winning Horton Foote ("Tender Mercies"), this story about a Texas family at the end of World War I typifies some of the concerns that Cinecom has demonstrated for regional cinema, development of new talent and high-quality drama.

Cinecom has come a long way since taking on Robert Altman's "Come Back to the Five and Dime Jimmy Dean, Jimmy Dean." Its first release of "1918" — shot in Texas — was in Dallas, following its gala premiere at the U.S.A. Film Festival there. During its second year, Cinecom had a net profit of 37 percent on gross sales of \$6.1 million. Consequently, it has gone into production, planning to spend \$15 million for five or six films.

Sometimes such companies develop long-term relationships with filmmakers whom they first noticed and nurtured. For example, Ben Barisholt of Circle Releasing, which distributed Joel and Ethan Coen's "Blood Simple," revealed that "Circle will be producing the next Coen film. Our idea was always that Circle wouldn't be strictly a distributor, but a producer — and not even restricted to low-budget films."

Even SpectraFilm, which has specialized in distributing foreign

marketing foreign films in the United States: "These were then emulated by the classics divisions, and are now working to make independent American films accessible to audiences in a profitable way. As the majors have moved more toward megabuck productions, they've left open a whole middle area for intelligent adult film."

The market for "off-Hollywood" cinema has been expanded from limited openings in New York and Los Angeles to wider release patterns. Ives, the executive director for corporate affairs, said: "We now have more cities where larger audiences want to see these kinds of films. We place a heavy emphasis on promotion on a local level, tailoring our approach to each film in each city specifically." For example, the first release of "1918" — shot in Texas — was in Dallas, following its gala premiere at the U.S.A. Film Festival there.

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Even SpectraFilm, which has specialized in distributing foreign

films such as François Truffaut's "Confidentially Yours" and Jean-Luc Godard's "First Name: Carmen," is getting involved with American independents, as well as production. It will soon be releasing "A Flash of Green," Victor Nunez's drama starring Ed Harris; it was shot in Florida.

SpectraFilm had partly financed several films before production — notably Paul Cox's "My First Wife," "Love Songs" with Christopher Lambert, and Godard's "Detective" — for the purposes of acquiring distribution rights. Now, "production is in the works," according to the company's director of advertising and publicity, Sam Irvin.

This is also the case at the Samuel Goldwyn Co., which distributed "Stranger Than Paradise" and Bill Forsyth's early films; it is producing "Once Bitten," starring Lauren Hutton. What this means for filmmakers was summed up by Jonathan Demme: "I went on the road with 'Stop Making Sense,' into so many theaters that are spreading out across America — Seattle, Houston, Washington, Boston — and showing more offbeat, original kinds of movies. America finally has a growing alternative avenue, not only of exhibitions but — working back through distribution — of production."

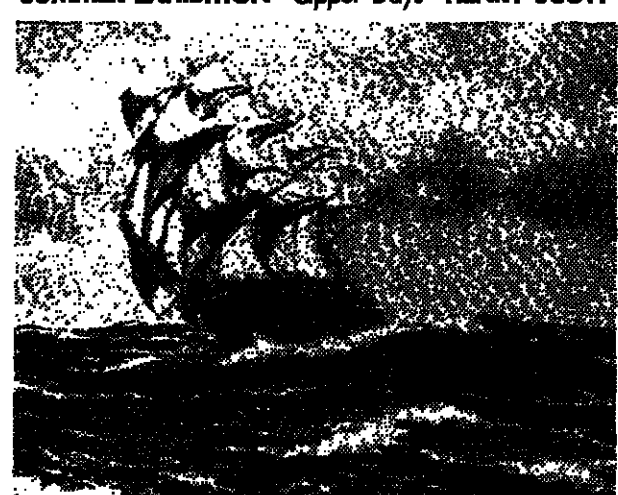
Annette Insdorf, an associate professor at Columbia and Yale universities, is the author of "François Truffaut" and "Indelible Shadow: Film and the Holocaust." This is excerpted from an article she wrote for The New York Times.

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AM futures	P.12	Foreign exchange	P.12
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AM futures	P.12	Foreign exchange	P.12

ATURDAY-SUNDAY, MAY 18-19, 1985

ECONOMIC SCENE

Some See Communication As Summit's Greatest Boon

By PETER KILBORN
New York Times Service

WASHINGTON—About two weeks ago, President Ronald Reagan joined the leaders of the world's six other major industrial democracies in Bonn to tackle the problems of an uncertain world economy. As the dust settles over their declarations, the Bonn summit conference, like its 19 predecessors, may fade into the oblivion of economic history, to become just another reference point for next year's meeting, to be held in 1986.

Like the other summit conferences, however, Bonn is likely to be remembered as a success some country, a failure on others. For the Reagan administration, the endorsement of the free-market, small-government views that the other countries had widely ridiculed was the president's first topknot achievement.

In the one area where the participants faced a concrete decision, Bonn failed miserably. For domestic political reasons, and for some economic reasons as well, the Reagan administration set off for Bonn with an appeal to the other participants to schedule a new series of worldwide trade liberalization negotiations beginning next year.

President François Mitterrand of France, for his own domestic political reasons, vetoed the proposal. As a result, Bonn provided nothing to discourage national legislators, including the U.S. Congress, from moving ahead with protectionist laws in retaliation against other countries that protect their own domestic industries.

On another compelling question—improving the world monetary system to prevent the dislocations that might accompany a precipitous decline of the dollar—the countries balked.

THREE weeks before the summit conference, Treasury Secretary James A. Baker 3d had volunteered the United States as a possible host of an international meeting to consider such issues. Although the proposal remains alive, in Bonn it proved negotiating tactic to deflect a more ambitious monetary-revision proposal expected from the French. But the French said little about monetary revision, so President Reagan withdrew the plan.

Thus, both Republicans and Democrats in Congress, who are sensitive to congressional elections next year and the effects of the international economy on their own constituencies, found little in the Bonn communiqué to please them.

"I've read it, I sense failure," said Representative Don Bonker, a Democrat from Washington. "Mr. Reagan can lay a wreath right here at the cemetery of economics as far as I'm concerned because everything seemed to be buried."

Representative Toby Roth, Republican of Wisconsin, said: "They established again that they are committed to free trade. But we weren't able to establish a date for a new trade round."

But some statesmen, Reagan administration officials and many international economists offer a more charitable view of economic summit meetings, including the one at Bonn.

Just by bringing the seven leaders together, such conferences can smooth the rough edges of their disputes. "I think the summit is worthwhile if these heads of state just sit down and talk to one another," Mr. Baker said. "It helps prevent misunderstanding. It helps the peace."

It may be unreasonable to expect anything more concrete from a summit conference. The world economy ticks to two clocks: the fast clock of recessions, recoveries and other features of the

(Continued on Page 11, Col. 3)

LTV Sets Steel-Unit Write-off

\$400 Million To Restructure

The Associated Press

DALLAS—LTV Corp., the diversified aerospace and steel concern, said Friday that it would take a \$400-million charge against second-quarter earnings to restructure its floundering LTV Steel Corp. unit.

The unit, created only last year after LTV's \$770-million acquisition of Republic Steel Corp., is the second largest U.S. steelmaker after U.S. Steel Corp.

The reorganization, which company officials said would improve cash flow by \$700 million over the next two years, will include the closing of most of LTV's giant steel works in Aliquippa, Pennsylvania, with the loss of 1,300 jobs.

As previously reported, LTV's first-quarter loss widened to \$156.4 million from \$29 million a year earlier. Much of the deficit came from the steel division, including \$25 million alone from Aliquippa, officials said. For all 1984, the company reported a loss of \$578.2 million, compared with a loss of \$180.7 million in 1983.

LTV said the changes, announced to shareholders at the annual meeting, "will strengthen the balance sheet, maintain liquidity and provide funds for growth—particularly in the aerospace-defense sector."

LTV said it would fashion three separate and new companies out of LTV Steel Corp., which is based in Cleveland. Each company would have its own management and marketing staffs and each would be expected to cut costs and increase efficiency. The three new steel divisions would include a bar and flat-rolled steel division, a tubular-products division and a specialty-products division.

After the announcement, LTV stock fell 2.5 cents in late trading on the New York Stock Exchange, to \$8.00. The decline exceeded 1 million shares.

"The decision to idle Aliquippa—a facility on which LTV spent more than \$600 million to get efficient, competitive and environmentally safe—did not come easily," LTV's chairman, Raymond A. Hay, told shareholders.

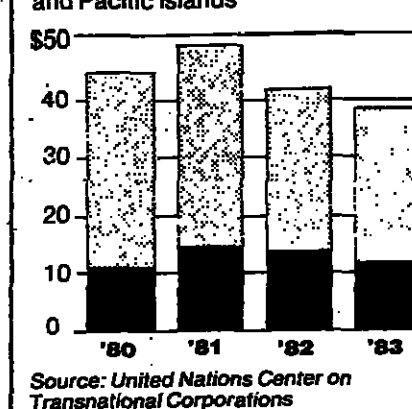
LTV officials denied speculation that the restructuring was a prelude to spinning off the division.

Multinational Investment

Gross inflows of foreign direct investment to industrialized and developing countries (excludes Eastern bloc); in billions of dollars

Industrialized Countries
Europe, United States, Japan, and others*

Developing Countries
Includes southern Europe**, Africa, Latin America, the Caribbean, Asia, and Pacific Islands



Source: United Nations Center on Transnational Corporations

Share of the Flow

Industrialized Countries	69%
United States	32%
Europe	29%
Other	8%

Developing Countries

Other Asia and the Pacific	12%
Latin America and the Caribbean	12%
Africa	4%
West Asia	2%
South Europe	1%

* Australia, New Zealand, South Africa, and Canada
** Greece, Cyprus, Malta, Portugal, and Spain

A New Welcome for Multinationals

Burdened by Debt, Third World Now Seeks Investment

By Nicholas D. Kristof
New York Times Service

NEW YORK—A decade ago, multinational companies were widely viewed with distrust and outright hostility by the developing countries. Alarmed by the companies' intrusions into local politics and overwhelmed by their economic might, many countries nationalized foreign holdings or placed tight restrictions on new investments.

But today, from China to Algeria, from Australia to Nicaragua, foreign multinationals are finding warm welcomes almost everywhere they go. Eagerly sought for the capital, technology and jobs they provide, the companies are being courted by developing and industrialized countries alike.

"We feel that it is better to have partners than

creditors," Francisco Svelto, Ecuador's finance minister, explained in a telephone interview. "I can say that with full authority, having just refinanced our foreign debt."

Mounting foreign debt, and the problems developing countries have had repaying it, is a prime reason why foreign direct investment suddenly seems more attractive. Until the debt crisis that began a few years ago, borrowing seemed better than foreign investment as a way to attract capital. Loans could be used for whatever the country wanted, and there were no foreigners brought in to interfere with local economies or politics.

But it was found that borrowing resulted in more, not less, foreign interference. For when debts could not be repaid, the banks and the

(Continued on Page 13, Col. 1)

Discount Rate In U.S. Is Cut 1/2 Point, to 7.5%

Compiled by Our Staff From Dispatches

WASHINGTON—The Federal Reserve Board, moving to stimulate a sluggish U.S. economy, on Friday lowered its discount rate by half a percentage point, to 7.5 percent, the lowest level in more than six years.

Minutes after the Fed's announcement, Citibank in New York, the largest U.S. commercial bank, lowered its prime lending rate to 10 percent, from 10.5 percent. The prime is used as a base to determine rates on loans to banks' most creditworthy corporate customers.

Citibank became the second major U.S. bank to push its prime rate to its lowest level in six years. On Wednesday, eight-ranked Bankers Trust Co. in New York initiated the reduction, and credit analysts said they expect other big banks to follow suit.

The Fed said the new discount rate takes effect Monday. The discount rate is the lending rate charged by the Fed to banks and other depository institutions. The Fed's action was taken against the background of relatively "unchanged" output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar, the Fed said.

The announcement went on to note that although inflation concerns linger in some areas, prices "appear to remain relatively well contained in goods producing sectors of the economy, and sensitive commodity prices are generally at

the lowest levels in about two years."

"In this setting, a reduction in the discount rate, consistent with the declining trend in market interest rates over recent weeks, appears appropriate," the Fed said.

When the new rate takes effect Monday, the discount rate will be at the lowest level since August, 1978, when it was 7.25 percent.

The discount rate has been running about 2 points to 2.5 points below the commercial banks' prime rate, a base from which banks peg many of their commercial loans.

The one-half percentage point drop in the discount rate was expected by many analysts to accelerate a trend toward lower interest rates throughout the economy.

The U.S. economy turned in an anemic annual growth rate of 1.3 percent during the first three months of this year, the slowest pace since the end of the last recession. The weak growth had raised concerns that the economy could teeter into another recession in coming months and had led to growing pressure on the central bank to loosen its credit controls as a way of spurring economic growth.

A change in the discount rate is the most dramatic tool the Federal Reserve has for signaling its intentions.

The Fed raised the discount rate to a record high of 14 percent by the spring of 1981. While inflation was brought under control, the high interest rates also brought on the steepest recession since the Great Depression. (AP, Reuters).

Court Reverses Unocal Ruling; Pickens May Be Excluded

The Associated Press

WILMINGTON, Delaware—The Delaware Supreme Court reversed a lower court on Friday and held that Unocal Corp. may exclude T. Boone Pickens Jr. and his partners from participating in a lucrative stock-repurchase program.

The company's offer to repurchase 50 million shares, or 29 percent of the stock, with securities valued at \$72 a share is a cornerstone in Unocal's efforts to deal a

hostile bid by Mr. Pickens to gain control of the company, the parent of Union Oil Co. of California.

Earlier, Mr. Pickens had obtained a preliminary injunction from Chancery Court in Delaware, where Unocal is incorporated, to prevent Unocal from going through with the repurchase unless his group was allowed to take part.

But in an appeal heard Thursday by a three-judge panel of the Delaware Supreme Court, the preliminary

injunction was overturned. "While we caution boards of Delaware corporations that they do not have unlimited authority to take draconian measures to fend off threats, we view Unocal's action as within 'reasonable practices,' the high court said.

Unocal, in a statement released at its Los Angeles headquarters, said it was pleased with the ruling. It said the offer already was oversubscribed, with about 60.4 million

shares tendered as of the close of business Thursday. Unocal stock closed Friday at \$46, down 50 cents.

Warren Veith, a spokesman for Mr. Pickens, was away from his office in Amarillo, Texas, and was unavailable for immediate comment.

Mr. Pickens is chairman of Mesa Petroleum Co. and heads Mesa Partners II, an investor group that already owns 13.6 percent of Unocal's stock. The partnership has offered to buy an additional 64 million shares at \$54 a share in cash to raise its stake in the company to 50.1 percent.

The Pickens group paid an average of \$46.41 a share for its Unocal stock.

If Unocal goes through with the offer, it would take on an additional \$3.6 billion in debt, making a takeover less attractive and harder to finance.

Currency Rates

Currencies	May 17
Australia	1.34
Belgium	36.36
Canada	70.87
France	166.35
Germany	1.36
Italy	1.36
Japan	163.64
Netherlands	36.36
Sweden	13.46
Switzerland	1.36
United Kingdom	1.36
West Germany	1.36
Yugoslavia	13.46

Source: Reuters. (D) Deutsche Mark; (F) French Franc; (G) German Mark; (I) Italian Lira; (J) Japanese Yen; (L) Luxembourg Franc; (N) Netherlands Guilder; (S) Swedish Krona; (Sw) Swiss Franc; (UK) British Pound; (Y) Yugoslav Dinar.

Interest Rates

Interest Rates	May 17
1 month	7.5%
3 months	8.0%
6 months	8.5%
1 year	9.0%

Source: Reuters. (D) Deutsche Mark; (F) French Franc; (G) German Mark; (I) Italian Lira; (J) Japanese Yen; (L) Luxembourg Franc; (N) Netherlands Guilder; (S) Swedish Krona; (Sw) Swiss Franc; (UK) British Pound; (Y) Yugoslav Dinar.

U.K. Industrial Output Increased 1.9% in March

London—British industrial production rose a provisional 1.9 percent in March after an upwardly revised 0.4 percent gain in February, the government reported Friday.

The index of industrial output was set at a seasonally adjusted 107 in March, up 3.7 percent from a year earlier. The year-to-year rise in February was 0.9 percent.

Manufacturing output increased 1.4 percent in March after a revised 1.5 percent increase in February. The March index was 103.2, up 3.9 percent from a year earlier, compared with a downward revised year-to-year rise of 3.3 percent in February.

Government sources said that half the 1.9 percent increase in industrial output in March was caused by increased coal production after the year-long miners' strike ended early in the month.

Coal output in the quarter rose 2 percent from the final quarter of 1984, they said.

Energy and water supply rose 6 percent in the latest quarter, reflecting increases in electricity and gas supply due to the weather, higher production of North Sea oil and gas and some recovery in coal output.

The government sources said the rate of growth in manufacturing industries is slowing. The underlying trend in the energy sector is flat, they added, but increased coal production will contribute to higher industrial production figures for some time.

Separately, the government's statistics office reported that productivity in manufacturing showed signs of picking up in the first quarter after flattening out in the second quarter of 1984.

It said that output-per-hour in manufacturing increased an inflation-adjusted, seasonally adjusted 1.1 percent in the first quarter after having fallen 1 percent in the final quarter of 1984. The year-to-year rate accelerated to 3.2 percent from 2.5 percent in 1984.

Meanwhile, the Employment Department said Friday that unit wage costs in manufacturing rose 4.9 percent in the year ended March 31, after a revised 4.6 percent increase in February.

Some Officials See End to U.S. Savings Institutions

By Robert A. Bennett
New York Times Service

NEW YORK—Although the recent runs on savings and loan associations would not exist within a few years.

Mr. Isaac said that to deal with their problems—deteriorating loan quality and continuing pressures of high interest rates—the institutions will have to be given full banking powers. The stronger thrift units will survive as commercial banks, he said, and others will be absorbed by commercial banks.

That view is not unanimous. "I could not disagree with him more," said Edwin W. Gray, chairman of the Federal Home Loan Bank Board, the chief regulator of the savings and loan associations. Mr. Gray, who also heads the Federal Savings and Loan Insurance Corp., said that 1985 will be a profitable year for many savings and loans, but he acknowledged that some are "helplessly insolvent."

He also said he disagreed "adamantly" with Mr. Isaac's prediction that the two federal deposit insurance agencies, the FDIC, which insures commercial and savings banks, and the FSLIC, which insures savings and loan associations, would be merged. Mr. Isaac reportedly said that would occur within the next two years.

Among private analysts, even the most optimistic say that at least 10 percent of savings and loans are likely to fail.

Mr. Isaac declined to discuss his remarks. But bankers who attended the meeting said he had predicted that savings banks and savings and loan associations would not exist within a few years.

Because the vast majority are insured by agencies of the federal government, depositors are not expected to lose any funds. But the eventual cost of bailing out the system is expected to be extraordinarily high, perhaps more than \$100 billion. Those costs will have to be borne by some combination of stockholders, acquirers of the institutions and the government.

According to the Federal Reserve Board, at the end of January total assets of the nation's savings banks and savings and loan associations amounted to \$1.1 trillion.

The dire outlook was laid out several weeks ago by William M. Isaac, chairman of the Federal Deposit Insurance Corp., at a closed meeting of the Association of Reserve City Bankers.

Mr. Isaac declined to discuss his remarks. But bankers who attended the meeting said he had predicted that savings banks and savings and loan associations would not exist within a few years.

Mr. Isaac's prediction that commercial banks would be expected to take over many thrift institutions startled many of the bankers and caused them to view the problem more seriously. Mr. Isaac reportedly noted that the FSLIC had only about \$7 billion in equity and that less than \$4 billion of that was available for rescue operations.

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The dire outlook was laid out several weeks ago by William M. Isaac, chairman of the Federal Deposit Insurance Corp., at a closed meeting of the Association of Reserve City Bankers.

Mr. Isaac declined to discuss his remarks. But bankers who attended the meeting said he had predicted that savings banks and savings and loan associations would not exist within a few years.

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Mr. Isaac's prediction that commercial banks would be expected to take over many thrift institutions startled many of the bankers and caused them to view the problem more seriously. Mr. Isaac reportedly noted that the FSLIC had only about \$7 billion in equity and that less than \$4 billion of that was available for rescue operations.

That view is not unanimous. "I could not disagree with him more," said Edwin W. Gray, chairman of the Federal Home Loan Bank Board, the chief regulator of the savings and loan associations. Mr. Gray, who also heads the Federal Savings and Loan Insurance Corp., said that 1985 will be a profitable year for many savings and loans, but he acknowledged that some are "helplessly insolvent."

He also said he disagreed "adamantly" with Mr. Isaac's prediction that the two federal deposit insurance agencies, the FDIC, which insures commercial and savings banks, and the FSLIC, which insures savings and loan associations, would be merged. Mr. Isaac reportedly said that would occur within the next two years.

Among private analysts, even the most optimistic say that at least 10 percent of savings and loans are likely to fail.

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	Vol.	High	Low	Last	Ch
BAT in Wash	4163	47 1/4	47 1/4	48 1/4	+
Waste	4577	18 1/4	18 1/4	19 1/4	+
CrisCo	2247	6 1/4	6 1/4	6 1/4	+
Cr	2283	6 1/4	5 3/4	5 3/4	+
CrisCo	2294	1 1/4	1 1/4	1 1/4	+
Globe	2118	3 1/4	3 1/4	3 1/4	+
Danell	1367	2 1/4	2 1/4	2 1/4	+
Wash	1117	3 1/4	3 1/4	3 1/4	+
Master's	1073	3 1/4	3 1/4	3 1/4	+
Procter	991	15	15	15 1/4	+
Wash	722	2 1/4	2 1/4	2 1/4	+
Tea-A	644	1 1/4	1 1/4	1 1/4	+
Forest	613	2 1/4	2 1/4	2 1/4	+
Imperial	591	2 1/4	2 1/4	2 1/4	+
Secor	736	41 1/4	39 1/4	41	-3

AMEX Stock Index			
High	Low	Close	CHG
20.77	229.30	230.74	+ 1.

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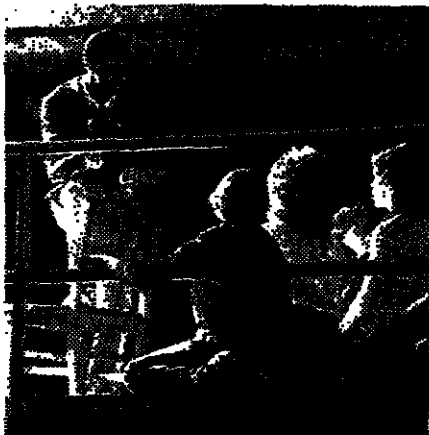
ALLIED CORPORATION

Allied Corporation was formed in 1920 and is one of the thirty companies in the Dow Jones Industrial Average. Allied is a diversified manufacturer of products which are sold in a range of industries worldwide. The company's businesses are grouped in five sectors: Aerospace, Automotive, Chemical, Industrial and Technology and Oil and Gas. Allied's common stock is listed on the Amsterdam, Frankfurt, London, Basel, Geneva and Zurich stock exchanges, and will be listing on the Paris exchange.

1

American Can

American Can has dramatically restructured its business mix for income growth. Today, the company has three major business sectors: Financial Services, which posted a

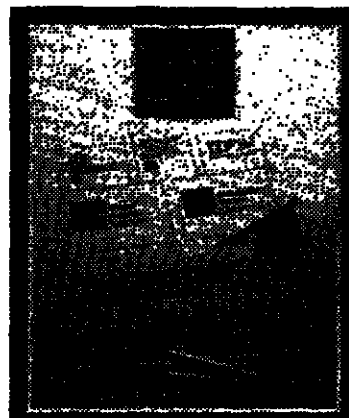


21% income gain over 1983; newly streamlined Specialty Retailing, up 50%; and Packaging, up 12%. Earnings per share increased to \$4.90 from \$3.75 for 1983. Revenues were \$4.21 billion, up from \$4.08 billion.

2

AMERICAN EXPRESS

American Express reported record earnings of \$610 million for 1984, an 18% increase over 1983. Its businesses include Charge Cards, Travelers Cheques, travel,



international and investment banking, brokerage, personal financial planning and insurance. Operating in 130 countries, it is targeting select segments of the growing financial services market through a strategy based on multiple distribution channels and strong brand-name products and services.

3

AMETEK

AMETEK (NYSE-PSE) AME

AMETEK's sales topped one-half billion dollars for the first time last year, and profits increased 13% to a record \$42.7 million, producing a return on equity of 24.3% and maintaining the steady upward curve of earnings which began back in the 1970's. AMETEK's annual report focuses on new products—electronic aircraft instruments, undersea robot work submersibles, DC motors for the computer market, water filters and new medical instrumentation.



4

BRUSH WELLMAN, INC.

The world's leading manufacturer of beryllium materials achieved another record year in 1984. Net income gained 62%, while worldwide sales climbed 31% to \$322.6 million. Earnings per share increased to \$2.20 from \$1.39 in 1983.

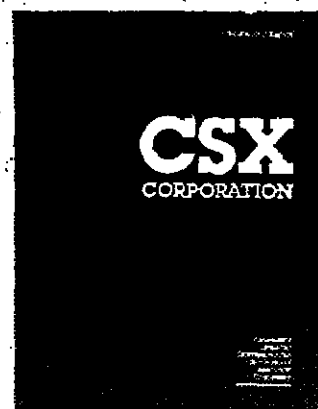


Over the past five years, the Company has achieved a compound growth rate of 15.9% in net income per share and 14.9% in sales of its engineered materials. The Company continues to maintain a conservative balance sheet, with a debt to total capitalization ratio of only 12%.

5

CSX Corporation

CSX Corporation, the nation's leading transportation and natural resources company, completed 1984 with an all-time record income of \$465 million. Assets reached \$11.6 billion, and revenue \$7.9 billion. CSX received approval to control



American Commercial Lines and became the first U.S. transportation company to provide rail-barge-truck integrated One-Stop ShippingSM for its customers. CSX closed 1984 in a strong financial and physical position. The company will accelerate its aggressive marketing strategies for continued growth.

6

W.R. GRACE & CO.

Grace is the world's largest specialty chemical company and ranks 53rd on the Fortune 500 with sales of \$6.7 billion in 1984. Other areas of concentration include agricultural chemicals, natural resources and consumer-oriented businesses, mainly retailing and restaurants. This year marks the 51st consecutive year of cash dividends.



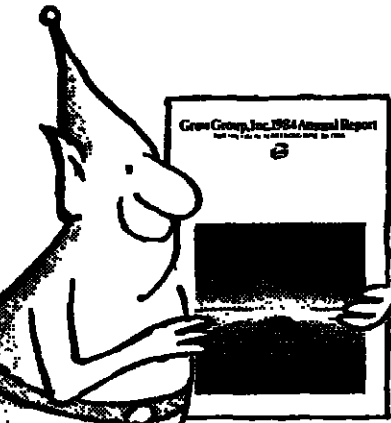
Emphasis today is on new products intensive research, geographical expansion and high-quality products and services.

Our '84 Annual Report is more readable than ever. Our 70,000+ shareholders are glad they looked into Grace. Shouldn't you?

7

GROW GROUP, INC.

Grow Group, Inc. has grown from 1.5 million in sales to over 275 million, paid 83 consecutive quarterly cash dividends. A stockholder purchasing 100 shares in 1965 would own 400 shares today. The Corporation is one of the nation's largest producers of specialty chemical coatings and paints for the marine, automotive, industrial, and



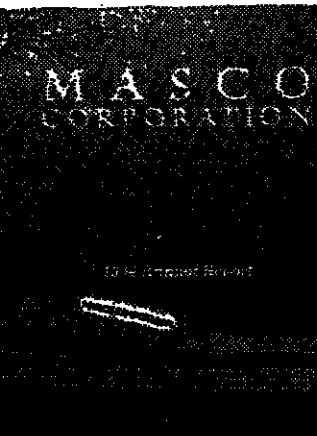
construction markets. Grow is developing a patented safe technology for dispensing products under pressure through its Enviro-Spray Systems, Inc. subsidiary, and a patented system for fully cooked chicken by its Thermaljet, Ltd. subsidiary.

8

MASCO CORPORATION

"A Unique Growth Company"

MASCO CORPORATION, a unique growth company with leadership market positions, has reported 28 CONSECUTIVE YEARS OF EARNINGS INCREASES.



Masco manufactures faucets and other building-related products and other specialty products for the home and family. Send for our 184 Annual Report to learn why we believe Masco's earnings will continue to grow at an average annual rate of 15 to 20 percent over the next five years.

9

MASCO INDUSTRIES

"A Competitive Edge"

Our strategies for growth, advanced metalworking technologies and products of value provide Masco Industries with...

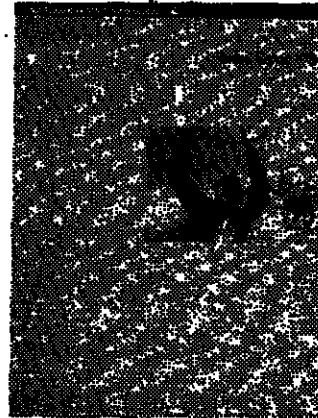


A Competitive Edge. Masco Industries manufactures custom-engineered components and other specialty products for industry. Send for our 1984 Annual Report to learn why we believe Masco Industries earnings can attain well above-average future growth.

10

NOVA, AN ALBERTA CORPORATION

NOVA is a major Canadian energy company headquartered in Calgary. Assets at year-end 1984 were \$6.4 billion. Revenues for the year totalled \$3.8 billion, and net income (after extraordinary items) was \$203 million.

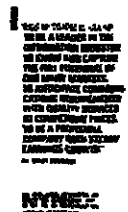


The Company is active in several industry sectors: Natural gas transportation and marketing, petroleum (through 67% owned Husky Oil Ltd.), petrochemicals, manufacturing, consulting and research. NOVA's Alberta system transports over 75% of Canada's marketed natural gas production. The NOVA companies employ about 7,800 people.

11

NYNEX

NYNEX is a new company focused on the Information Age. NYNEX provides telecommunications services through New England Telephone and New York Telephone, markets business information systems, provides mobile phone service, and publishes telephone directories. NYNEX is a fast-growing company in a burgeoning industry.



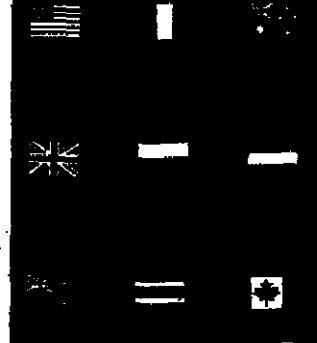
For more information, write: NYNEX Annual Report, 20th Floor, 335 Madison Avenue, New York, N.Y. 10017.

12

TRITON ENERGY CORPORATION

NYSE: OIL

The flags on the cover identify the countries where the Company has high potential exploration acreage. Current exploration activities are conducted in the United States, Canada, Australia, the United Kingdom, The Netherlands, Colombia, New Zealand and Thailand.



The Company's proved oil and gas reserves increased in value by 92 percent, from \$99 million on May 31, 1983 to \$190 million on May 31, 1984. Net oil production from France is currently 100,000 barrels per month. The April 26, 1985 market value of securities held by Triton in its subsidiaries, affiliates and other oil companies was \$38.00 per share compared with a New York Stock Exchange price of \$23.00.

13

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BUSINESS ROUNDUP

Chemical Bid for Thrift Rejected by Ohio Senate

The Associated Press
COLUMBUS, Ohio—The Ohio Senate on Friday rejected a 16-page bill that would permit the use of up to \$125 million in state funds to complete the sale of the collapsed Home State Savings Bank.

Under the proposal, which had received House approval only hours earlier, the 53-branch savings bank would be acquired by Chemical Bank Corp. of New York City. Chemical would then receive a state bank guarantee behind the funds of Home State's depositors.

As its part of the arrangement, Chemical would pay a \$21-million premium for the right to enter Ohio financial markets and add another \$30 million for recapitalization.

Home State's failure on March 8 triggered the temporary closing of 69 other privately insured Ohio thrift institutions by Governor Richard Celeste. All but a handful of them have since reopened after meeting a newly enacted requirement for federal insurance.

Sponsors said the defeat may not mean the bill is dead, because under Senate rules, a motion to reconsider could be made within two legislative days.

The Senate adjourned until Tuesday, leaving the fate of the measure in doubt. A motion to reconsider must be made by a senator who voted on the prevailing side.

In Maryland, meanwhile, several major bank-holding companies have expressed interest in buying into the state's troubled savings and loan industry, according to industry sources. But legislators

meeting in special session Friday postponed consideration of that as a solution to the crisis enveloping 102 thrifts.

Banks such as Chase Manhattan said they were interested only if they could convert the S&Ls into commercial banks, sources said.

"We have limited interest in a savings and loan," Richard Boyle, an executive vice president of Chase Manhattan, said at a hearing Thursday.

Allowing out-of-state institutions to take over and turn Maryland S&Ls into banks would require a change in state law, but legislative leaders refused to take up that issue Friday. The General Assembly may return next week, however, to discuss it.

Governor Harry Hughes called Friday's special session to consider a package of bills designed to restore public confidence shaken last week by revelations that serious problems at Old Court Savings & Loan had resulted in a change in top management.

The news triggered a run on Old Court and some other privately insured S&Ls that was halted only by a Hughes executive order limiting withdrawals to \$1,000 a month for each account.

Mr. Hughes said Friday that the state has no legal responsibility to depositors in 102 privately insured S&Ls, but that it has "a very strong moral responsibility" to see that they do not lose their money.

The 102 S&Ls, which have assets of about \$9 billion, do not have federal insurance but are backed by the private Maryland Savings-Share Insurance Corp., which is not funded by the state.

Exxon Names New President

The Associated Press
LOS ANGELES—Exxon Corp.'s directors on Thursday named Lawrence G. Rawl president, succeeding Howard C. Kauffmann, who retired after 10 years as president and 39 years with the company.

Mr. Rawl, a director and senior vice president since 1980, was elected president by the board after the annual meeting. His election had been expected. He joined Exxon in 1952, serving in a variety of jobs with the parent corporation and its Houston-based domestic subsidiary, Exxon USA.

The company also said it has bought back 4.9 million shares of its stock, for \$250 million, since the beginning of April. Exxon began its stock buyback in July 1983 and repurchased 102 million shares for \$4.3 billion through the end of the first quarter of this year. Exxon has not said how many shares it intends to repurchase.

Japanese, Canadian Firms To Set Up LNG Consortium

Reuters
TOKYO—One Japanese and four Canadian companies have agreed to set up a consortium to promote a liquefied natural gas project in Canada.

John Keenan, vice president, exploration and production division, at Mobil Oil Corp., a unit of Mobil Corp., said at a news conference Friday that the consortium would assess the viability of a project to produce and ship LNG to Japan. The ownership is 30 percent each for Mobil Oil Canada Ltd. and Petro-Canada Inc., 15 percent each for Nippon Iwai Corp. and West Coast Transmission Ltd. and 10 percent for Suncor Inc.

The consortium plans to establish a permanent organization by the end of the year to handle the project after Dome Petroleum Ltd., the former managing company, dropped out last year, Mr. Keenan said.

The project calls on suppliers to export 2.35 million metric tons of LNG a year to Japan for 20 years. The gas would be produced from

fields in Alberta and British Columbia and transported through a new pipeline from eastern British Columbia to an LNG plant to be built on the coast.

He said the consortium would start detailed negotiations in Tokyo on Monday with buyers: Chubu Electric Power Co., Kyushu Electric Power Co., Chugoku Electric Power Co. and Toho Gas Co.

To make substantial progress, Mr. Keenan said, the buyers must agree on sales, transportation and facilities.

A Nippon Iwai spokesman said earlier that suppliers and buyers had generally agreed on a price escalation formula based on a linkage to energy prices comprising 70 percent oil and 30 percent LNG.

Union Oil Canada and Pan-Alberta Gas Ltd., which both showed interest in participating in the project, decided not to join the consortium. However, Mr. Keenan said Union Oil was still considering joining the permanent organization that the consortium expects to establish.

Senate Unit Plans Hearings on Corporate Crime

New York Times Service

WASHINGTON—The Senate Judiciary Committee has said that it would hold hearings on the Justice Department's handling of "financially sophisticated white-collar crime," including the recent prosecution of E.F. Hutton & Co. for fraud.

Congressional aides said that the hearings also would include a look into the department's handling of the case against General Electric Co., which pleaded guilty this week to defrauding the U.S. Air Force of \$800,000.

The hearings were requested by Senator Joseph R. Biden of Delaware, the ranking Democrat on the committee. He has alleged that the department may have mishandled the Hutton and GE cases.

His request for the hearings was approved Thursday by the committee chairman, Senator Strom Thurmond, a Republican from South Carolina. No date for the hearings has been set, although they are expected to begin next month.

In a letter to Mr. Thurmond earlier this week, Mr. Biden said that he was concerned by the Justice Department's decision not to prosecute individuals at E.F. Hutton.

Griffin Bell to Conduct Hutton's Probe

Reuters

NEW YORK—E.F. Hutton & Co. said Friday that it had retained former Griffin B. Bell, a former U.S. attorney general, to conduct an independent inquiry to determine which individuals should be held accountable for the 1980 to 1982 mail and wire-fraud violations to which the company pleaded guilty May 2.

Robert Fomon, chairman, told the annual meeting that Mr. Bell would review the practices to which the company pleaded guilty, determine how those practices evolved, identify the individuals personally responsible and make recommendations about his findings.

At a hearing on Wednesday, he said that the decision not to prosecute individual wrongdoers at Hutton was "a travesty."

Peter F. Smith, a spokesman for Mr. Biden, said that Justice Department officials probably would be called to testify at the hearings. "We don't know yet if the executives of all or any of these firms will be called," Mr. Smith said. "The focus now is what went on at Justice."

The hearings probably will also look into Sperry Corp.'s conviction last year on charges of illegally billing the government \$325,000 on an MX missile contract, Mr. Smith said. It was the first criminal prosecution of a major military contractor for overcharging.

Mr. Smith said that it was unclear whether the hearings would be before the full Judiciary Committee or a subcommittee.

Chinese Growth Called Too Rapid

Reuters

BEIJING—Chinese economists warned Friday that the economy was still growing too fast despite government measures to reduce rapid growth.

Writing in the People's Daily, the economists said the value of industrial output rose 23 percent in the first quarter from the like period in 1984.

They gave no overall figures, but said the economy was already overheated and the growth rate could not be sustained without serious problems developing.

"If we go on striving for production increases at the present extreme rate, contradictions will become even more prominent," the economists, Wu Jinglian, Ding Ningning and Li Jiange, said in a joint article.

They said production bottlenecks such as energy, transport and

shortages of raw material could not be solved quickly and would become worse if growth was too high.

"Generally speaking this ultra-fast growth cannot be supported in the long-term by our raw-material and power resources, our transport, finances, foreign exchange and environment," they said.

Gold Options (prices in \$/oz.)

Month	May	Aug.	Nov.
200	325.22	325.22	325.22
300	325.22	325.22	325.22
400	325.22	325.22	325.22
500	325.22	325.22	325.22
600	325.22	325.22	325.22
700	325.22	325.22	325.22
800	325.22	325.22	325.22
900	325.22	325.22	325.22
1000	325.22	325.22	325.22

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Venezuela Sets Pact With Banks

United Press International

NEW YORK—Venezuela and a 13-bank working committee Friday reached agreement to restructure virtually all the \$21.2 billion of the Latin American nation's public-sector debt that is held by commercial banks.

Venezuela has agreed to make a downpayment of \$750 million on principal when the accord is implemented. The country is current on interest on public sector debt.

Venezuela did not enter into agreement with the International Monetary Fund but will instead submit to monitoring under Article IV of the Bretton Woods agreement that established the IMF.

Officials See End of Thrifts

(Continued from Page 7)

new kind of problem: poor-quality loans.

"The problem today is clearly that of asset quality," said Dennis J. Jacobs, an economist with the U.S. League of Savings Associations, the trade group for the savings and loans. "This is brand new for our institutions."

Until recent years, savings and loan associations invested almost exclusively in mortgages on homes. The thrift units' primary problem between 1980 and 1984 had been high interest rates. They had to pay higher rates to attract and to keep funds than they were earning on their mortgages, which had been made years earlier when interest

rates were far lower. This caused about 1,000 thrift institutions, or a fourth of the total, to go out of business in the past five years.

That problem has eased considerably in the last year as interest rates have declined, according to Jonathan P. Gray, a thrift-industry analyst at the New York securities firm of Sanford C. Bernstein & Co.

But Mr. Gray said he now was worried by the surge in losses as a result of the thrift units' attempts to earn more money by investing in nontraditional fields, especially real estate development. He blamed deregulation for having given the thrift units the power to use depositors' money to invest in risky ventures.

Finding Bonn's Successes

(Continued from Page 7)

business cycle and the slow clock of changes in economic philosophy and management.

The summit leaders, assembled in amiable banter away from home but subject nevertheless to the pushes and pulls of widely different domestic political pressures, have had little success in following through on their occasional agreements to recalibrate their own business-cycle clocks.

Viewed from the perspective of the slower clock, however, Bonn for the first time demonstrated an important change. Unanimously, the countries rejected the conventional Keynesian notion that governments raise taxes to reduce budget deficits during periods of economic expansion.

Mr. Reagan challenged such policies at his first summit conference, in Ottawa in 1981, arguing instead for reducing government spending and freeing the marketplace to generate growth and jobs. But he confused the argument in also insisting that deficits had little to do with the rise in interest rates and the dollar's strength, so his summit partners decided all aspects of Reaganomics.

This year, the administration conceded a connection in promising to reduce budget deficits. That left the summit nations free to ponder the other features of the Mr.

Reagan's policies, particularly the U.S. record of post-recession job creation against their own intractably high unemployment.

"Each of our countries will exercise firm control over public spending in order to reduce budget deficits," the economic communiqué said.

"I was there in '81 and '82 when they questioned us," Mr. Baker said. "They were very unresponsive. Now there's no debate about whether economies should institute the same pro-growth adjustment policies."

Philippine Firm, Banks Fail to Reach Debt Pact

Reuters

MANILA—Planters Products and its foreign creditors have failed to reach agreement on a settlement of the company's debts but will meet again on May 24, a company lawyer said Friday. Several of the Philippines' foreign creditor banks have used settlement of PPT's debts to their approval of a new, \$925-million credit for the government.

However, a spokesman for Prime Minister Cesar Virata said that the signing of the new government credit would proceed as scheduled on May 20. PPT, the country's biggest fertilizer maker, owes its banks about \$90 million.

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18-5-85

A New Welcome Mat Goes Out for Multinationals

(Continued from Page 7)

International Monetary Fund virtually dictated the borrowing nation's economic policies. Anarchy resulted in riots that rattled regimes in Morocco, Tunisia, Egypt, the Dominican Republic and Jamaica. The coup d'état in the Sudan earlier this year demonstrated that austerity measures can quickly topple a government.

"I don't think there's any question that they are less hostile to multinationals than they used to be," said Anne O. Krueger, chief economist of the World Bank, referring to developing countries.

Of course, suspicions linger on both sides, and in some cases domestic interest groups have arisen — such as computer companies in Mexico — that try to keep out foreign adversaries. And nations such as Argentina may make overtures to companies in certain industries, but they are far from abolishing all restraints on foreign investments.

Beyond the practical demand for cash, the general metamorphosis of multinationals from bogymen to benefactors probably also reflects an intellectual shift of position, a reassessment of the threats posed by big foreign companies.

"There is a big change now," said Tolo Beavogui, ambassador to Washington from Guinea. "A lot of African countries are open for investment — for example, Senegal, Ivory Coast, Mali — because we do not have finances. We need finances and we need technology."

The change is taking many forms. Some countries, including Jamaica and Ecuador, are doing wholesale recruiting of foreign investors. Others, such as India and Mexico, are putting out the welcome mat but generally permit a multinational to have only a minority stake in an enterprise. Australia is licensing foreign banks. The United States is circulating a new investment code with tax benefits for multinationals. Colombia is telling multinationals that they can pursue

rights under international law. And Canada is revising its laws to expedite approval of foreign investments.

The new policies are not likely to result in an immediate flood of new investment because corporate investment decisions tend to be made far in advance. Indeed, new investment actually fell in 1982 and 1983 when much of the world was in recession. But the IMF expects direct investment to rebound and grow steadily over the next five years.

"There's a clear-out tendency toward higher levels of such investment," said Lawrence C. McNamara, executive vice president of W.R. Grace & Co. But he cautioned that not even the most alluring of policies were likely to entice businesses into some of Africa's poverty-stricken countries, where the infrastructure is weak and markets are small.

Profound changes in the relationship between multinationals and host countries appear to be modifying the new investment climate. "There are a lot more multinationals around, especially from Europe and Asia, and that gives developing countries more leverage," said Stephen D. Krasner, professor of political science at Stanford University.

Peter Hansen, executive director of the United Nations Center on Transnational Corporations, added that "a significant factor has been that developing countries gained a great deal of experience and can meet companies with a great deal more self-confidence than in the early 70s, when I think they felt overwhelmed."

Moreover, experts say that multinationals sometimes seem more circumspect than they were decades ago, when they more readily confronted governments. "The abuses are fewer and the suspicions less," said Mrs. Krueger of the World Bank.

U.S. corporate giants were intimidating long when they went

abroad, in many cases for the first time, in the 1950s.

The international oil companies are suspected of helping to depose a populist Iranian prime minister, Mohammed Mossadeq, in 1953. Many people think that United Fruit Co.'s dispute with Guatemala's leftist president was a principal reason for the U.S.-backed invasion there in 1954. And ITT Corp. was widely believed to have tried in the early 1970s to depose Salvador Allende, Chile's Socialist president.

Such apparent interference helped feed a distrust of American "economic imperialism," for most of the big companies were American. A generation of left-leaning nationalists — Kwame Nkrumah in Ghana, Gamal Abdel Nasser in Egypt, Indira Gandhi in India — rallied at the companies, sometimes nationalizing them and always narrowing their scope of operation.

But go-it-alone strategies have generally not worked very well in Africa or Latin America. Countries found themselves starved of cash, unable to buy needed imports or even to exploit their own natural resources. The last five years have been particularly difficult for many developing countries because of falling prices for the commodities they export, rising interest rates on their foreign debts, and a global

economic contraction that depressed demand for their products.

Guinea is an example of the response in many African countries. For long an isolationist state that spurned foreign interests, Guinea began to warm to foreigners in the 1980s and opened up much more after the death of its maverick president, Ahmed Sekou Touré, a year ago. Last October, Guinea adopted a 40-page investment code that specifies the rights of foreign companies in all sectors of the economy. Texaco Inc. has been manufacturing lubricants and containers for a year and a half in Guinea. "It is going beautifully to the mutual satisfaction of both of us," said James G. Bayles, a company spokesman.

But for all the enthusiasm, Raymond Vernon, a Harvard Business School professor who has written extensively on multinationals, warns that inherent tensions remain between host countries and foreign companies.

"Underneath, nothing has changed," he said. Countries are better informed today, and can strike better bargains, he added, but the international structure of multinationals will almost inevitably lead to clashes with the nations they operate in.

Company Earnings

Revenue and profits, in millions, are in local currencies unless otherwise indicated

British Petroleum		Campbell Soup		Hewlett-Packard	
Revenue	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Profit	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Per Share	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Ireland		Costco		ITT	
Revenue	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Profit	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Per Share	1,746, 1979	1st Quarter	1984	1st Quarter	1984
United States		American		ITT	
Revenue	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Profit	1,746, 1979	1st Quarter	1984	1st Quarter	1984
Per Share	1,746, 1979	1st Quarter	1984	1st Quarter	1984

Over-the-Counter

NASDAQ National Market Prices

May 17

(Continued from Page 12)

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NEW LOWS

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ACROSS

1 David, for one
5 Fountain
10 Lead weight
15 Cole adverb
19 Leigh Hunt
26 — State
Theater,
Sarasota
21 Middle
Eastern liquor
22 Forum wear
23 Gopher figurine
25 Tournament
time?
27 Resemblance
28 Lenses
30 Word with
scent or show
31 Actress
May Oliver
32 Compete with
33 Spin in a role
34 Evening party
37 French legis-
lative body
38 Material for a
fur coat
42 Annet
43 Lindbergh's
guest on the
links?

DOWN

1 Suffragette
from Ripon
2 Busy as —
3 One of the Truk
Islands
4 A golfer at
home?
5 Glossy fabric
6 Japanese port
7 He crashed
with a Ford
8 October drink
9 Actor Paul
from Brooklyn
10 Rotate the
hand, in a way
11 Revers
12 Music makers,
informally

ACROSS

46 Federal agency
1933-36
47 Polynesian
native of N.Z.
49 Levin or
Clerghwin
50 Yalie
51 Durable wood
52 Beard grown
by an oars
farmer
53 What golfers
strive for?
54 B-F connection
61 Units of
electrical
current
63 Revoke, in law
64 Peeled rice
66 Happen
67 Willy
68 Modern Italian
novelist
Giuseppe —
69 December
figures
71 Chess
72 Mead wrote
about them
74 Put duds on
75 Golfer's
favorite
cookie?
78 Joker
80 Hole-in —

DOWN

13 They can't join
the L.P.G.A.
14 Course
15 Delays by
evasion
16 Malay
17 Stravinsky
ballet
18 "... I shall not
—"
24 Ye — gift
shoppe
25 Ark, city near
Memphis
29 Legend of tennis
32 Take it easy
33 Shamir's
predecessor
34 Basic igneous
rock

ACROSS

81 Needlefish
82 Motorist's org.
83 Lyric poem
85 "Bel — Bist
Du Schoen"
86 Golfer's
lament?
87 Churn up
88 Eclairs, etc.
89 Meal finishers,
often
90 Chemical
compounds
91 Tills the soil
92 Lead-pipe
100 Hose in the
current
101 Legal petition
104 India's official
language
105 Skilled
craftsmen
106 Golfer's
aspiration?
111 What single
golfers try to avoid?
113 Kin. Abb.
114 Kind of kitchen
115 Stage direction
116 Tibetan monk
117 Certain blog, sketch
118 Reindeer
119 Beloved ones
120 Norse
mythical giant

DOWN

35 Iowa city
36 Golf-club
salesmen?
37 Ancient
Chinese
38 Hawthorne's
birthplace
39 What a
superstitious
golfer might
do?
40 Moslem decree
41 In the buff
44 Personnel
chief
45 Specialized
fisherman
46 Creeping S.A.
plant
54 In —
(hurrying)

DOWN

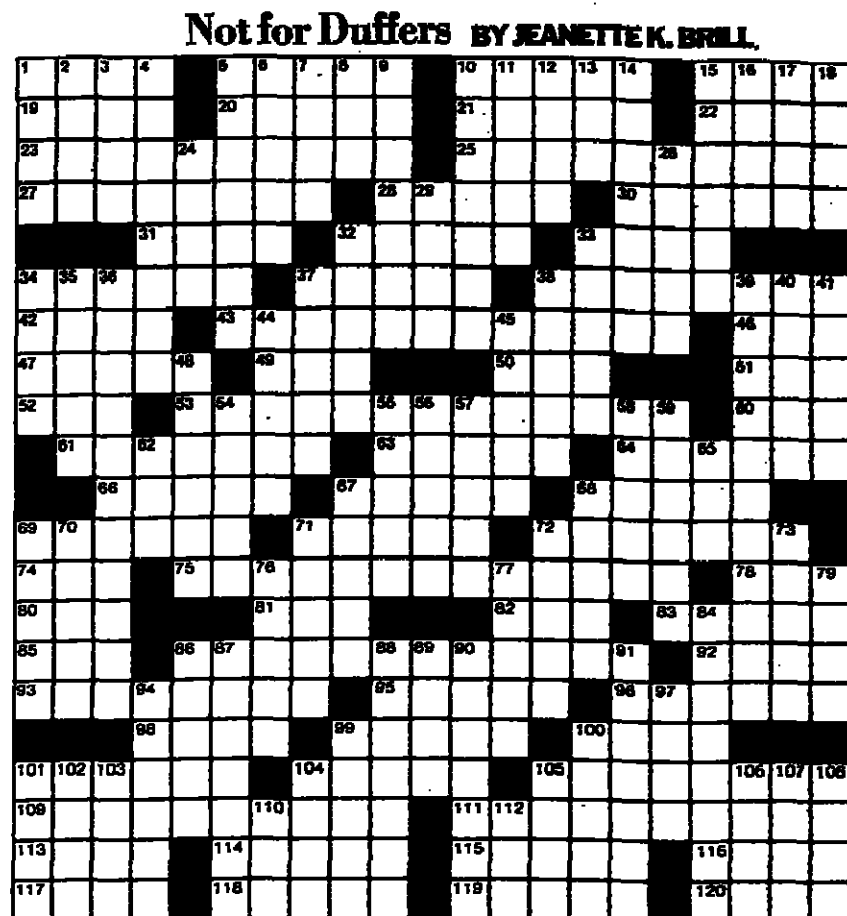
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57 Minimum
58 Lab sci. prefix
59 Gumbel's
"Inside"
62 For every
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65 RR depot
67 Bedtime
68 Adherent of a
19th-century
religion
69 Jazz dance
70 District sacred
to the Muses
71 Echard
72 Large quantity
73 Berlin's "
Salome..."
76 Colae
77 Mari, e.g.
78 Set
84 Sacerdotal
86 Wide

DOWN

87 Produced, as
revenue
88 Lofty
89 Put under
obligation
90 Abetted
91 Paschal times
94 Believer in one
God
97 Golda
98 Kind of servant
100 Fiat
101 Hair style
102 Commoner

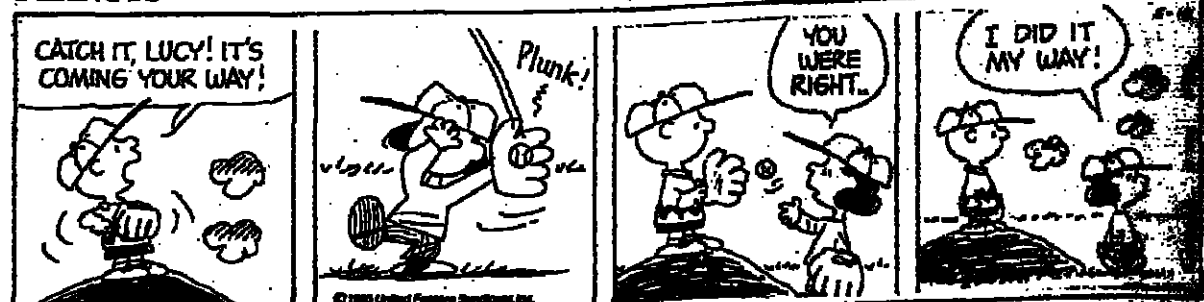
DOWN

103 Hungarian
sheep dog
104 "The — Re-
port," 1976
book
105 Theatrical org.
106 Khachaturian
107 Appellative
108 Box
110 Uncooked
112 Compass dir.



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PEANUTS



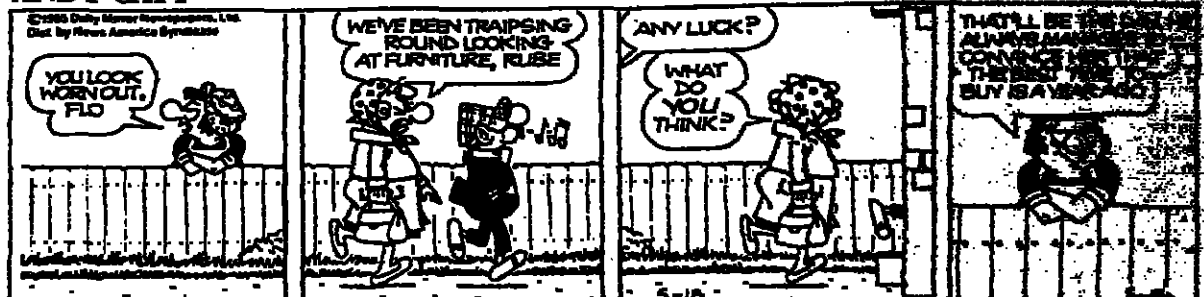
BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



BOOKS

THE LONELY SILVER RAIN

By John D. MacDonald, 208 pp. \$15.95.
Alfred A. Knopf, 201 East 40th Street,
New York, N.Y. 10022.

Reviewed by Don G. Campbell

THE SUSPICION abounds that the real fans of novelist John D. MacDonald would buy and read everything the man writes, even if his entire literary output were confined to the dosage directions on patent medicine bottles. The likes of his following have not been seen since the days of the great buffalo herds in the American West.

Needless to say, then, the occasion of the publication of MacDonald's 21st Travis McGee adventure, "The Lonely Silver Rain," is nothing to be lightly shrugged off, although those of us who discovered MacDonald back in his pulp magazine days after World War II take the rather snobbish view that the Johnny-Come-Latelys, the P.T. or Post-Travis, fans don't really appreciate the true scope of the man's prodigious storytelling powers.

Admittedly, however, the charismatic host of the Busted Flush, the Fort Lauderdale-docked houseboat that serves as McGee's base of operations, never disappoints. Half buccaner, half glistening knight, the craggy champion of underdogs and abused ladies is not your usual adventure novel hero. Nary a new Travis McGee adventure comes onto the scene without illuminating more depth and complexity in the man's character.

The book opens in a deceptively routine fashion

with a request from an old friend, now in the big bucks, for McGee's help in tracking down his new yacht, stolen from him on its shake-out cruise by a slack-jawed juvenile delinquent and his caddy girl-friend. Not, the lulled reader says, sniffing disdainfully, the sort of chore that will long thwart the resourceful McGee.

Nor, sure enough, does it, despite the fact that the job is trickier than it looks on the surface. How do you locate a stolen yacht? From the air, of course, but with Florida's hundreds of marinas where one boat looks, from the air, like a thousand others, and where there are thousands of miles of shoreline both on the oceans and the inland waterways, it is still no small task.

Anyone with journeyman status as a MacDonald fan should know, that, so far, the finding of the yacht is a Travis McGee standing-on-his-heads feat. And even the grisly contents of the recovered yacht — the two teen-agers done in most foully, plus a third, unidentified girl — are fairly standard fare.

But MacDonald has little patience with standard fare and, in short order, "The Lonely Silver Rain" starts taking on new dimensions. The story, based in Florida as it is, not too unexpectedly leads into the Mexico-Latin America drug traffic for which Florida is the logical conduit. But if the loyal reader isn't particularly surprised by this plot turn, he certainly is by the next. We suddenly have in Travis McGee

— the quintessential tracker, the paragon of self-reliance — a man who, for the first time in his long, literary career, is not only the target of some undefined evil — trying skillfully to kill him — but who also finds himself in the grip of a most uncharacteristic emotion: fear. Pure and simple fear.

Whose toes did he step on in his seemingly innocuous search for the yacht, who has so much evil power at his or her command, and who has so much hate for him? The answer is, no one. Who is leaving cat-shaped pipe cleaners at the door of the Busted Flush, and why?

So begins McGee's near-frantic, and dangerous, exploration into the international drug traffic where, logic tells him, the key to the "why" of this vendetta against him must lie. And as the ever-present specter of death hangs over him — and as an old friend lies dying of terminal cancer, alone, in a cheerless apartment — another emotion heretofore foreign to McGee surfaces: his own, long-suppressed loneliness and the realization that, perhaps, he has overplayed the loner's role.

What greater testament to MacDonald's craftsmanship than this? That after 20 novels starring the same hero, his protagonist is as fresh as ever, and that the groundwork (no plot giveaways, here) has been laid for even more adventures of the new Travis McGee.

Don Campbell is on the staff of the Los Angeles Times.

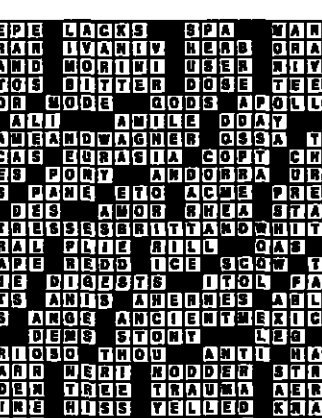
Covent Garden, Feeling the Pinch, Plans Concert Opera Next Season

The Associated Press

LONDON — The Royal Opera, Covent Garden, has announced that it will stage 22 operas next season — 7 new productions, including the British premiere of Karlheinz Stockhausen's "Donnerstag aus Licht," and 15 revivals — but it warned that threats of new restrictions on its state funding put its plans at risk. To cut costs, the Royal Opera will stage its first concert performance, Rossini's "Semiramide."

The company's chairman, the banker and economist Sir Claus Moser, said the Royal Opera's budget was £200,000 (\$1 million) short of "what we hoped for." Ticket prices range from £1 to £37. Sir Claus said the opera, which also runs two ballet companies, is filling 91 percent of capacity, its best season since 1981-1982.

Solution to Last Week's Puzzle



World Stock Markets

Via Agence France-Press May 17
Closing prices in local currencies unless otherwise indicated.

Market	Index	Change
Amsterdam	115.70	+1.10
Brussels	115.70	+1.10
Frankfurt	115.70	+1.10
London	115.70	+1.10
Paris	115.70	+1.10
Rome	115.70	+1.10
Stockholm	115.70	+1.10
Zurich	115.70	+1.10

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Stockholm	115.70	+1.10
Zurich	115.70	+1.10

The Daily Source for International Investors



available in this edition because of computer problems. slightly less than officials anticipated at the beginning of the year. Inflation in all of 1984 was 8.2 percent.

SPORTS

Yanks Make
1 Manager
Happy, 1 SadMartin Is 57,
Rader Is Fired

Compiled by Our Staff From Dispatches
—NEW YORK—The New York Yankees gave their manager, Billy Martin, a victory for a birthday present Thursday. They also put the finishing touches on Doug Rader's career as manager of the Texas Rangers.

With the bases loaded and one out in the ninth inning at Yankee Stadium, Dave Winfield, fooled on a pitch by Dave Rozema, hit the ball too softly for a double play, enabling Rader to lead his team to a 6-5 victory.

Shortly after the Rangers' sixth consecutive defeat, giving them a 9-23 record, worst in the majors,

BASEBALL ROUNDUP

Rader was fired and replaced by the New York Mets' third base coach, Bobby Valentine.

Rader, 40, was in his third season as the Rangers' manager but had been under fire almost from the start. There is some consolation. His contract goes through 1987.

"What can I say?" Rader asked. "I certainly can't say anything original. I am glad I had the opportunity. I am just sorry I didn't win."

Valentine, who began his career in the Los Angeles Dodgers' organization and played for the California Angels, becomes, at 35, the youngest manager in the majors. He will take over Friday night in



Bobby Valentine (left) replaced Doug Rader on Rangers.

Chicago, where the Rangers open a three-game series. Valentine, after first rejecting the Rangers' offer, agreed to a three-year contract.

Friday, the Mets hired Bud Harrelson, their shortstop for 13 years, to replace Valentine.

Martin was 57 Thursday and the Yankees are 10-5 since he replaced Yogi Berra as manager. They have won four in a row, all in dramatic fashion. Three games were won in their last at-bat and the other on a grand slam homer in the seventh.

"One hit short," Rader said. "That's typical of what's been going on through the whole season. We didn't get the hits in the last two games and the Yankees' luck has been good."

In his last game as manager, Rader gambled and lost. He walked two batters intentionally to get to Winfield, a dangerous clutch hitter even though he is batting only .244.



Twins 7, Tigers 5

In Minneapolis, Tom Brunansky hit a two-run home run during a four-run first inning and Kirby Puckett drove in three runs to help beat Detroit.

Ken Schrom walked leadoff batter Lou Whitaker, then retired 11 Tigers before giving up Mike La's fourth-inning single. By that time, the Twins led, 5-0.

Royals 7, Indians 1

Willie Wilson and George Brett homered in the first inning in Cleveland and Bud Black pitched a six-hitter to give Kansas City its fifth straight victory.

Kansas City's quick lead just about doomed the Indians, who have scored three runs or fewer in 20 of 33 games this year.

Orioles 3, White Sox 1

Rain ended the game in Chicago after six innings, but Cal Ripken and Eddie Murray hit successive doubles that inning and Baltimore scored twice to end a four-game losing streak. The White Sox had won five straight.

Mike Boddicker allowed only four hits in boosting his record to 5-0 against the White Sox. Floyd Bannister was the loser even though he struck out 10 in 5 1/2 innings.

Astros 1, Mets 0

In the National League, in Houston, Mike Scott made sure his former New York Yankees teammates lost more than their third base coach, Bobby Valentine, holding the Mets to five hits in 8 1/2 innings.

Scott retired 15 in a row between the fourth and ninth innings and ruined a two-hit pitching performance by the Mets' Sid Fernandez and Tom Gorman.

The game's only run came in the first inning. Jose Cruz doubled in Bill Doran, who had walked.

Fernandez allowed only two hits in seven innings, retiring 14 consecutive batters before giving up a single in the seventh. He has allowed only three hits in his last 13 innings.

Reds 4, Expos 2

Tom Foley's triple in Montreal broke a seventh-inning tie and gave him his first RBI this season as Cincinnati dealt the Expos their fourth straight loss.

Braves 6, Phillies 3

In Atlanta, Terry Harper and Rick Cerone batted in runs during a three-run seventh that was helped by two errors and Philadelphia was handed its ninth loss in its last 10 games. (LAT, AP)

Oilers, Flyers Gain Final of Stanley Cup

Los Angeles Times Service
CHICAGO — Jari Kurri and Wayne Gretzky have put the Edmonton Oilers into the final round of the National Hockey League's Stanley Cup playoffs for the second straight season. This time, the defending champion Oilers will meet the Philadelphia Flyers in the best-of-seven series beginning Tuesday night in Philadelphia.

Both teams closed out the semifinal round in six games with decisive victories Thursday night. Kurri scored four goals, all on passes from Gretzky, to give the Oilers an 8-2 victory over the Chicago Black Hawks before a vociferous crowd that showered the ice with debris.

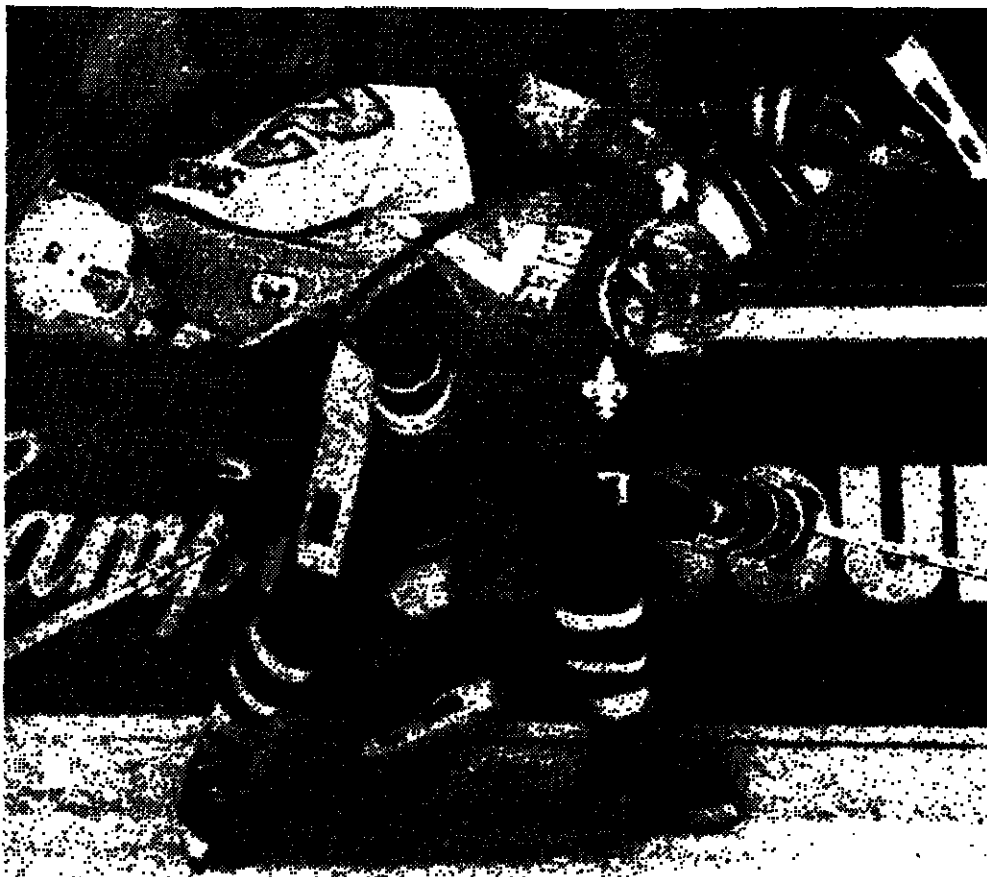
The Flyers, playing at home, got a goal from Dave Poulin when his team was two players short and posted a 3-0 victory over the Quebec Nordiques to end their best-of-seven semifinal.

The Oilers, trounced in their other two playoff games in Chicago, took charge early and dominated throughout the sixth game. In the series, they scored a record 44 goals.

Kurri, who needs only one more goal in the championship series to equal Reggie Leach's record of 19, also broke a record with his fourth hat trick, or three-goal game. Mark Messier, the most valuable player in the final round last spring, got two goals.

Bitterness had developed between the teams, and the Black Hawks had vowed to be tough in this one. But Kurri opened the scoring five minutes into the game, starting a string of six unanswered goals that took the fight out of the Hawks. Goaltender Grant Fuhr blanked them for 47 minutes before Al Secord ended his shutout.

It was the fans, said the Oilers' coach, Glenn Sather, "who seemed to lose their charge in the opening period. Because when I was booed it appeared that the fans could not



Ilkka Sinisalo got a rough ride from Quebec's Pat Price, but Philadelphia won game, 3-0.

really get into it, and at that time I knew the Hawks were in for a tough evening."

Messier called the victory a "vindication at least in our minds of the bad things that were appearing in

our hometown papers. We were described as not being hungry enough and letting the Hawks off the hook."

Several records for a series were broken. Kurri had 12 goals in the

series, while Gretzky, with 14 assists, set another.

In Philadelphia, goaltender Pelle Lindbergh shut out Quebec and rookie Rick Tocchet scored late in the first period for the only goal the Flyers needed. But it was Poulin's goal that broke the spirit of the Nordiques.

Poulin, playing on a strained knee that kept him out of two playoff games, scored with teammates Joe Paterson and Brian Propp in the penalty box early in the second period. He intercepted Mario Marois's pass inside the Quebec blue-line, skated in on goalie Mario Gosselin and beat him on the glove side.

Poulin said he neither anticipated Marois's pass, intended for Peter Stastny, nor planned his shot at the end of the breakaway, which beat Gosselin high on the glove side.

"I didn't know he'd pass it," Poulin said. "It was just a reaction. You rely on your reflexes out there. It hit my stick at a perfect angle and I got the breakaway, although somebody was coming fast. I could hear the chop-chop of a skate."

"It was near the end of a shift and I haven't played much in the last five weeks, so I wasn't sure I'd get there first."

"If they had come back and scored, it could have been a different game, but that had to shake them up."

The Flyers, who had the best record during the regular season, will be making their first appearance in the final round in five years. They last won the cup 10 years ago. But they are unbeaten in their last eight regular-season games against Edmonton, which ought to give them a bit of a mental edge.

SPORTS BRIEFS

Soldier Field Now a U.S. Treasure

CHICAGO (AP)—Soldier Field, the home of the National Football League's Chicago Bears, has been declared a national treasure.

The 61-year-old lakefront stadium, with its classic Greek architecture and artificial-surface playing field, has been placed in the National Register of Historic Places by the U.S. Interior Department.

Officials say the designation could block plans to build a \$20 million dome atop Soldier Field, and makes it unlikely that the Chicago Park District, which runs it, will let the Bears out of a 15-year lease. Their participation would be necessary for a new stadium to be built.

O'Meara Takes Lead in U.S. Golf

FORT WORTH, Texas (AP)—Mark O'Meara, still recovering from jet lag after a victory in Japan last weekend, took advantage of near-ideal conditions Thursday for a 4-under-par 66 that put him in a four-way tie for the first-round lead of the Colonial National Invitation Tournament. He shared the top spot with Jim Thorpe, Corey Pavin and Willie Wood.

USEL Files Suit Against ABC-TV

NEW YORK (AP)—The United States Football League filed a \$7 million breach-of-contract suit against ABC in U.S. District Court Thursday, demanding the television network continue its payments to the league. The court is already considering a \$1.32 billion antitrust suit the USEL filed last October against the National Football League.

Commissioner Harry Usher said he has been informed by ABC that the network does not intend to make scheduled rights payments of \$2.8 million due on June 1 and July 1, and \$1.4 million due prior to June 29.

SCOREBOARD

Baseball

Thursday's Major League Line Scores

AMERICAN LEAGUE			
Detroit	8	3	2
Minnesota	1	0	0
Baltimore	1	0	0
Chicago	1	0	0
Seattle	1	0	0
San Francisco	1	0	0
Los Angeles	1	0	0
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